Makana Municipality
Annual Financial Statements
for the year ended 30 June 2015

These annual financial statements were prepared by:
Ms JRB Khumalo
Acting Chief Financial Officer

General Information

Mayoral committee	
Executive Mayor	Cllr Z J Peter
	Cllr P Ranchhod
	Cllr N Gaga
	Cllr MPG Notyawa
	Cllr N Masoma
	Cllr M Matyumza
Councillors	Cllr R M Madinda-Isaac
	Cllr N Ngoqo
	Cllr BW Fargher
	Cllr M Gojela
	Cllr BPN Jackson
	Cllr MM Khubalo
	Cllr VC Kolisi
	Cllr E Louw
	Cllr MG Madinda
	Cllr XG Madyo
	Cllr L May
	Cllr N Meti
	Cllr TC Ngeleza
	Cllr B Bonani
	Cllr NR Plaatjie
	Cllr LM Reynolds
	Cllr MS Tame
	Cllr NC Tyantsula
	Cllr JC Wells
	Cllr K Jela
	Cllr MC Booysen
Grading of local authority	Category B
Acting Chief Finance Officer (CFO)	JRB Khumalo
Acting Municipal Manager:	Ms MJ Meiring
Registered office	City Hall 86 High Street Grahamstown 6139
Postal address	P O Box 176 Grahamstown 6140
Preparer	The annual financial statements were internally compiled by: Ms JRB Khumalo Acting Chief Financial Officer

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Makana Municipality

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data. The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, he sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk acrosThe financial statements which have been prepared on the going concern basis, were signed on municipality’s behalf bys the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to June 30, 2015 and, in the light of this review and the current financial position, she is not satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared ont he basis that the municipality is a going concern and that the Makana municipality haas neither the intention nor the need to liquidate or curtail materially the scale of the municipality. The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

The financial statements which have been prepared on the going-concern basis, were signed on the municipality's behalf by:

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Ms MJ Meiring
Acting Municipal Manager

Statement of Financial Position as at 30 June 2015

	Note(s)	2015 R	2014 Restated* R
Assets			
Current Assets			
Inventories	3	15 542 194	13 121 991
Consumer debtors	4	177 542 279	129 572 370
Receivables from exchange transactions		2 499 663	6 375 986
Receivables from non-exchange transactions	5	46 606 383	32 113 720
Cash and cash equivalents	6	19 204 882	2 029 895
Operating lease asset	7	28 009	28 525
		261 423 410	**183 242 487**
Non-Current Assets			
Investment property	11	201 302 330	201 302 330
Property, plant and equipment	8	852 541 846	805 947 213
Intangible assets	9	706 714	948 306
Heritage assets	10	29 008 049	28 931 049
Investment	12	141 719	161 477
		1 083 700 658	**1 037 290 375**
Total Assets		**1 345 124 068**	**1 220 532 862**
Liabilities			
Current Liabilities			
Consumer deposits	13	2 321 154	2 297 709
Other financial liabilities	19	4 127 932	4 009 820
Payables from exchange transactions	15	177 994 210	42 726 633
Payables from non- exchange transactions	16	32 680 011	26 707 226
Unspent conditional grants and receipts	17	17 650 894	20 290 713
VAT payable	18	12 628 148	14 100 340
Employee benefit obligation	20	9 712 674	9 712 674
Bank overdraft	6	-	15 466 633
		257 115 023	**135 311 748**
Non-Current Liabilities			
Other financial liabilities	19	56 907 870	50 116 917
Employee benefit obligation	20	45 438 166	40 321 709
Provisions	14	815 876	782 119
Other liability 3		(121 600)	(121 600)
		103 040 312	**91 099 145**
Total Liabilities		**360 155 335**	**226 410 893**
Net Assets		**984 968 733**	**994 121 969**
Net Assets			
Reserves			
Other NDR		5 446 516	5 427 536
COID reserve		(53 315)	-
Accumulated surplus		979 575 526	988 694 435
Total Net Assets		**984 968 727**	**994 121 971**

* See Note 48

Statement of Financial Performance

	Note(s)	2015 R	2014 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	24	199 402 150	161 564 120
Rental of facilities and equipment	34	1 023 409	800 907
Interest received	21	12 494 247	11 207 128
Agency services		850 378	877 055
Licences and permits		2 344 416	2 596 574
Other income	26	1 353 967	2 043 752
Total revenue from exchange transactions		**217 468 567**	**179 089 536**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	53 827 308	46 153 127
Transfer revenue			
Government grants & subsidies	25	122 798 897	115 585 733
Fines, Penalties and Forfeits		55 402	655 711
Total revenue from non-exchange transactions		**176 681 607**	**162 394 571**
Total revenue	22	**394 150 174**	**341 484 107**
Expenditure			
Employee related costs	28	(128 392 171)	(129 818 933)
Remuneration of councillors	29	(9 458 268)	(8 336 735)
Administration		(5 845)	-
Depreciation and amortisation	30	(33 443 447)	(36 729 303)
Impairment loss/ Reversal of impairments	31	(155 476)	-
Finance costs	32	(21 536 082)	(6 337 044)
Lease rentals on operating lease		(1 010 882)	(1 140 400)
Repairs and maintenance		(10 136 456)	(12 776 976)
Bulk purchases	37	(82 036 759)	(67 096 416)
Contracted services	35	(4 490 552)	(6 917 134)
Transfers and Subsidies	36	(30 544 615)	(22 098 592)
General Expenses	27	(59 061 367)	(46 363 948)
Total expenditure		**(380 271 920)**	**(337 615 481)**
Operating surplus		**13 878 254**	**3 868 626**
Gain on disposal of assets and liabilities		32 062	-
Fair value adjustments		-	5 245 900
Actuarial gains/losses	20	1 047 113	6 383 935
		1 079 175	**11 629 835**
Surplus for the year		**14 957 429**	**15 498 461**

* See Note 48

Statement of Changes in Net Assets

	Other NDR R	COID reserve R	Total reserves R	Accumulated surplus R	Total net assets R
Balance at 01 July 2013	**5 408 556**	**-**	**5 408 556**	**973 195 974**	**978 604 530**
Changes in net assets					
Surplus for the year	-	-	-	15 498 461	15 498 461
Changes in revaluation surplus arising from changes in existing decommissioning, restoration and similar liabilities	18 980	-	18 980	-	18 980
Total changes	18 980	-	18 980	15 498 461	15 517 441
Restated* Balance at 01 July 2014	**5 427 536**	**-**	**5 427 536**	**964 618 097**	**970 045 633**
Changes in net assets					
Surplus for the year	-	-	-	14 957 429	14 957 429
Changes in revaluation surplus arising from changes in existing decommissioning, restoration and similar liabilities	18 980	-	18 980	-	18 980
Prior Year Adjustments	-	(53 315)	(53 315)	-	(53 315)
Total changes	18 980	(53 315)	(34 335)	14 957 429	14 923 094
Balance at 30 June 2015	**5 446 516**	**(53 315)**	**5 393 201**	**979 575 526**	**984 968 727**

Note(s)

* See Note 48

Cash Flow Statement

	Note(s)	2015 R	2014 Restated* R
Cash flows from operating activities			
Receipts			
Property rates		53 459 246	38 084 646
Services charge		199 402 150	166 252 775
Grants		122 612 592	133 752 144
Interest income		-	385 120
Other receipts		12 130 117	17 838 897
		387 604 105	356 313 582
Payments			
Employee costs		(127 117 030)	(112 701 614)
Suppliers		(167 115 438)	(225 888 083)
Finance costs		(21 536 082)	(6 337 044)
Other payments		3 935 607	(6 712 261)
Remuneration of Councillors		(9 458 268)	(8 336 735)
		(321 291 211)	(359 975 737)
Net cash flows from operating activities	38	**66 312 894**	**(3 662 155)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(40 501 847)	(46 468 868)
Proceeds from sale of property, plant and equipment	8	(21 250)	-
Purchase of other intangible assets	9	-	(631 054)
Purchases of heritage assets	10	(77 000)	(3 161 400)
Proceeds from sale of financial assets		19 758	(115 949)
Net cash flows from investing activities		**(40 580 339)**	**(50 377 271)**
Cash flows from financing activities			
Repayment of other financial liabilities		6 909 065	30 769 995
Net cash flows from financing activities		**6 909 065**	**30 769 995**
Net increase/(decrease) in cash and cash equivalents		**32 641 620**	**(23 269 431)**
Cash and cash equivalents at the beginning of the year		(13 436 738)	9 832 693
Cash and cash equivalents at the end of the year	6	**19 204 882**	**(13 436 738)**

* See Note 48

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2015											
Financial Performance											
Property rates	45 925 379	24 196	45 949 575	-		45 949 575	53 827 308		7 877 733	117 %	117 %
Service charges	224 360 355	1 006 993	225 367 348	-		225 367 348	199 402 150		(25 965 198)	88 %	89 %
Transfers recognised - operational	80 710 145	(589 824)	80 120 321	-		80 120 321	120 569 018		40 448 697	150 %	149 %
Other own revenue	25 974 509	(7 875 878)	18 098 631	-		18 098 631	18 153 881		55 250	100 %	70 %
Total revenue (excluding capital transfers and contributions)	**376 970 388**	**(7 434 513)**	**369 535 875**	**-**		**369 535 875**	**391 952 357**		**22 416 482**	**106 %**	**104 %**
Employee costs	(139 500 317)	2 663 279	(136 837 038)	-	-	(136 837 038)	(128 392 171)	-	8 444 867	94 %	92 %
Remuneration of councillors	(9 310 068)	-	(9 310 068)	-	-	(9 310 068)	(9 458 268)	-	(148 200)	102 %	102 %
Depreciation and asset impairment	(25 497 252)	4 000 000	(21 497 252)			(21 497 252)	(33 598 923)	-	(12 101 671)	156 %	132 %
Finance charges	-	-	-	-	-	-	(21 536 082)	-	(21 536 082)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(79 623 734)	-	(79 623 734)	-	-	(79 623 734)	(82 036 759)	-	(2 413 025)	103 %	103 %
Transfers and grants	(40 799 302)	(139 000)	(40 938 302)	-	-	(40 938 302)	(30 544 615)	-	10 393 687	75 %	75 %
Other expenditure	(81 662 708)	8 016 227	(73 646 481)	-	-	(73 646 481)	(74 705 102)	-	(1 058 621)	101 %	91 %
Total expenditure	**(376 393 381)**	**14 540 506**	**(361 852 875)**	**-**	**-**	**(361 852 875)**	**(380 271 920)**	**-**	**(18 419 045)**	**105 %**	**101 %**
Surplus/(Deficit)	**577 007**	**7 105 993**	**7 683 000**	**-**		**7 683 000**	**11 680 437**		**3 997 437**	**152 %**	**2 024 %**

Appropriation Statement

	Original budget R	Budget adjustments (i.t.o. s28 and s31 of the MFMA) R	Final adjustments budget R	Shifting of funds (i.t.o. s31 of the MFMA) R	Virement (i.t.o. council approved policy) R	Final budget R	Actual outcome R	Unauthorised expenditure R	Variance R	Actual outcome as % of final budget R	Actual outcome as % of original budget R
Transfers recognised - capital	1 007 000	-	1 007 000	-		1 007 000	2 229 879		1 222 879	221 %	221 %
Surplus (Deficit) after capital transfers and contributions	**1 584 007**	**7 105 993**	**8 690 000**	**-**		**8 690 000**	**13 910 316**		**5 220 316**	**160 %**	**878 %**
Surplus/(Deficit) for the year	**1 584 007**	**7 105 993**	**8 690 000**	**-**		**8 690 000**	**13 910 316**		**5 220 316**	**160 %**	**878 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Accounting for Investments in Associates
GRAP 8	Financial Reporting of Interest in Joint Ventures
GRAP 9	Revenue
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosure (Approved, Not yet effective)
GRAP 21	Impairment of Non-Cash Generating Assets
GRAP 23	Revenue from non-exchange transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits (Approved, early addoption)
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 8, 10 and 11of GRAP 3 (Revised in 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

These accounting policies and the applicable disclosures have been based on the International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

IPSAS 20	Related Party Disclosures
IFRS 4 (AC 141)	Insurance contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral
IAS 12 (AC 102)	Income tax
SIC – 25 (AC 425)	Income taxes – changes in the tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures
IFRIC 12 (AC 445)	Service Concession Arrangements

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by any Standard of GRA

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

Accounting Policies

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all amounts are rounded to the nearest rand.

1.2 Going concern assumption

The financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.4 Standards, Amendments to standards and Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 20	Related Party Disclosures
GRAP 105	Transfers of Functions Between Entities under Common Control
GRAP 106	Transfers of Functions Between Entities Not under Common Control
GRAP 107	Mergers

1.5 Presentation of Budget Information

The presentation of budget information is prepared in accordance with the GRAP standards. The Annual Financial Statements and the budget are on the same basis of accounting, therefore a comparison between the budgeted and actual amounts for the reporting period are included in the Annual Financial Statements.
Budget information is presented on the accrual basis and is based on the same period as the actual amount, i.e. 1 July 2014 to June 2015.
Explanations for material differences between the final budget amounts and actual amounts are included in the annual financial statements.
The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24

Accounting Policies

1.6 Housing Development Fund

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998 and which requires that the Municipality maintains a separate housing operating account.

Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, inter alia, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash backed and available funds are invested in accordance with the Municipality's investment policy,
- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Housing,
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets,
- Any interest earned on the investments of the fund is disclosed as interest earned in the statement of financial performance,
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund if funds are available and not already committed to approved existing Housing projects

Accounting Policies

1.7 Employee benefits

(a) Pension obligations

The Municipality operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has a long service award liability and post- retirement medicalk liability. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The municipality has a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.
The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.
Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Post Retirement Medical obligations

The Municipality provides post-retirement healthcare benefits to its employees and retired employees of the municipality, and to their registered dependants. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

(c) Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.
Payments are offset against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised.
Payments made by the Municipality are offset against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Accounting Policies

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(e) Accrued Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and is calculated as per collective bargaining council agreement.

(f) Accrued Annual and Performance bonuses

Liabilities for annual and performance bonuses are recognised as they accrue to employees.
Annual bonuses accrue to employees on an annual basis, based on the employee contract. Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. These accruals are an estimate of the amount due to staff as at the financial year end.

(g) Other short-term employee benefits

The cost of short-term employee benefits is recognised in the period in which the service is rendered. Liabilities are recognised as they accrue to employees.Additional text

1.8 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Performance.
Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

1.9 Leases

Municipality as a lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity.

Amounts held under finance leases are initially recognised as assets of the Municipality at the lower of their fair value at the inception of the lease or the present value of the future minimum lease payments.
The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they may be capitalised in accordance with the Municipality's policy on borrowing costs.

Operating leases are those leases that do not fall within the scope of the definition of a finance lease. Operating lease payments are recognised as an expense on a straight- line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

1.9.2 Municipality as a lessor

Accounting Policies

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.10 Long term liabilities (Borrowings)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

1.11 Payables from exchange transactions

Payables from exchange transactions are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method.

Accounting Policies

1.12 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:
- The cash which backs up the liability is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the statement of financial performance as revenue.

1.13 Value Added Tax

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.
The municipality is liable to account for VAT at standard rate (14%) in terms of section 7(1) of the vat act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 or is out of scope for VAT purposes. The timing of payments to or from SARS is the last day of each of twelve months financial year.

1.14 Property, Plant and Equipment

1.14.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.
The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

All donated property, plant and equipment is recognised at its fair value.
When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non- monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost).
If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.14.2 Subsequent Measurement - Cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.
Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Accounting Policies

1.14.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use and depreciation ceases at the earlier of the date that the asset is derecognised. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives at acquisition of all Property, Plant and Equipment. These useful lives can be extended in applying a review of useful lives.

INFRASTRUCTURE ASSETS	
Elec. Generation:	10 - 30
Elec. Reticulation:	10 - 45
Refuse:	10 - 100
Roads, Pavements &Bridges:	10 - 50
Sewerage Purification:	20 - 120
Sewerage- Reticulation:	10 - 100
Storm water:	10 - 50
Street Lightning:	5 - 20
Water- Dams & Resevoirs:	20 - 50
Water- Reticulation:	10 - 120
COMMUNITY ASSETS	
Buses:	10 - 15
Cemeteries:	20 - 100
Community Halls:	15 - 100
Community- Other:	15 -100
Fire, Safety & Emergency:	10 - 100
Libraries:	10 - 100
Museums & Artr Galleries:	10 - 100
Parks & Gardens:	5 - 50
Recreational Facilities:	15 - 100
Social Renting Housing:	10 - 100
Sportfields & Stadium:	10 - 100
Swimming Pools:	10 - 20
OTHER ASSETS	
Civil Land & Buildings:	20 - 100
Computers- Hardware & Equipment:	4 - 5
Furniture & Office Equipment:	7 - 30
General Vehicles:	7 - 15
Other Buildings:	50 - 100
Other Land:	Indefinite
Other- Other Assets:	5 - 15
Plant & Equipment:	5 - 30
Security Measures:	5 - 10
Specialised Vehicles:	12 - 30
INTANGIBLE ASSETS	
Intangible Assets- Other:	5 - 20
Intangible Assets- Software:	4 - 10
INVESTMENT PROPERTIES	
Investment Properties- Land:	Indefinite
Investment Properties- Building:	Indefinite
HERITAGE ASSETS	
Heritage Assets: Buildings	
Heritage Assets: Other	

Accounting Policies

1.14.4 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.
The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial performance.

1.15 Investment Properties

1.15.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at fair value once it meets the definition of investment property.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of self-constructed investment property is the cost at date of completion.

1.15.2 Subsequent Measurement - Fair value model

Subsequent to initial recognition investment properties are measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

1.15.3 Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property.The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16 Intangible Assets

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item’s fair value was not determinable, it’s deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Recognition - Cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Accounting Policies

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

For all other intangible assets amortisation is provided on a straight line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Internally generated goodwill is not recognised as an intangible asset.:

1.16.4 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17 Heritage Assets

1.17.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.
A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Economic Entity, and the cost or fair value of the asset can be measured reliably.
A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.17.2 Subsequent Measurement - Cost model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.17.3 Depreciation and Impairment

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial. Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.17.4 Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.18 Assets classified as held for sale

1.18.1 Initial Recognition

Accounting Policies

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.
Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.18.3 Derecognition

Non-current assets and disposal groups classified as held for sale will cease to be classified as such when the recognition criteria are no longer met.

1.19 Non Current Investments

Non-current investments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost using the effective interest method less any impairment. Where an investment has been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period the impairment is identified.

1.20 Inventories

1.21.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process. Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), thecost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. In general, the basis of allocating cost to inventory items is the weighted average method.

Accounting Policies

1.21 Trade and Other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

1.22 Cash and Cash Equivalents

Cash includes cash on hand, call deposits and cash with banks. Cash equivalents are short- term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, call deposits and cash with banks, net of bank overdrafts.

1.23 Revenue Recognition

1.24.1 Revenue from Exchange Transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly. Service charges from sewerage and sanitation for residential and business properties are levied annually based on a fixed tariff. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Interest earned on investments is recognised in the Statement of Financial Performance on the effective interest rate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:
- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant liability, if the grant conditions indicate that interest is payable to the funder.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably. The income for agency services recognised is commission in terms of the agency agreement.

1.24.2 Revenue from Non- Exchange Transactions

Accounting Policies

- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The income for agency services recognised is commission in terms of the agency agreement.

1.24 Changes in Accounting Policy, Estimate and Correction of Error

Changes in accounting policies have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of changes in accounting policies are disclosed in the notes to the annual financial statements.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Detail of changes in accounting estimates are disclosed in the notes to the annual financial statements.
Prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect or the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of prior period errors are disclosed in the notes to the annual financial statements.

1.25 Unauthorised Expenditure

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:
- Overspending of the total amount appropriated in the municipality’s approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, municipality, or organ of state otherwise than in accordance with any conditions of the allocation,
- A grant by the municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.26 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, Act No.56 of 2003, the Municipal Systems Act, Act No.32 of 2000, the Public Office Bearers Act, Act No. 20 of 1998 or is in contravention of the Municipality's supply chain management policy and which has not been condoned in terms of such act or policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements shall be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements. Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements is updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the council or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.27 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Related Parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Related parties include:
• Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
• Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
• Key management personnel, and close members of the family of key management personnel; and
• Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:
• All directors or members of the governing body of the entity, being the Executive Mayor, Executive Deputy Mayor, Speaker and members of the Mayoral Committee.

• Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.29 Financial Instruments

The Municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

1.30.1 Financial Assets

Accounting Policies

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The Municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:
- Long-term Receivables
- Receivables from Exchange Transactions
- Other Receivables from Non-Exchange Transactions
- Current portion of Long-term Receivables
- Cash and Cash Equivalents

1.30.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:
- Long-term Liabilities
- Trade and Other Payables
- Bank Overdraft
- Current Portion of Long-term Liabilities

1.30.3 Measurement

Initial Recognition:
Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement:
Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost.

Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost (”other”). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.30.4 Impairment of Financial Assets

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Consumer Debtors are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

1.30.5 Derecognition of Financial Assets

1.30.5.1 Financial Assets

Accounting Policies

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
• The rights to receive cash flows from the asset have expired? or
• The Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement? and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or
(b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.30.5.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.30.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.30 Contingent Liabilities/ Assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
Contingent assets and liabilities are not recognised in the Statement of Financial Position. Contingent liabilities are disclosed in the notes to the annual financial statements, unless it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are disclosed where an inflow of economic benefits or service potential is probable.

Accounting Policies

1.31 Events After Reporting Date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

• those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
• those that are indicative of conditions that arose after the reporting date (non- adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

Accounting Policies

1.32 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the annual financial statements are set out below:

Revenue Recognition

Accounting Policy 1.25.1 on Revenue from Exchange Transactions and Accounting Policy 1.25.2 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In concluding judgement, management considered the detailed criteria for recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appriopriate.

Financial assets and liabilities

The classification of financial assets and liabilities is based on judgement by management.

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of Financial Assets - Accounting Policy 1.32.4: Financial Instruments, referring to paragraph on Impairment of Financial Assets, describes the process followed to determine the value with which financial assets should be impaired.In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the Annual Financial Statements.
Useful lives of Property, Plant and Equipment - As described in Accounting Policy 1.15.3, the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are brought into use. The useful life and residual values of the assets are based on industry knowledge and are revalued annually.

Investment Property
The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets

Defined Benefit Plan Liabilities - The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the applicable notes to the Annual Financial Statements.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material.

Accounting Policies

1.32 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.
Accounting Policy 1.32.4: Financial Instruments, referring to paragraph on Impairment of Financial Assets, describes the process followed to determine the value with which financial assets should be impaired.In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the Annual Financial Statements. Useful lives of Property, Plant and Equipment - As described in Accounting Policy 1.15.3, the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are brought into use. The useful life and residual values of the assets are based on industry knowledge and are revalued annually.

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Accounting Policies

1.32 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.33 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at fair value.

1.33 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

1.34 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. All donated property, plant and equipment is recognised at its fair value. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an item of property, plant and equipment is acquired in exchange for a non- monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost).

If the acquired item’s fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up. Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.34 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.35 Intangible assets

Accounting Policies

1.35 Intangible assets (continued)

n intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Internally generated goodwill is not recognised as an intangible asset. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values.

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.36 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality. Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

1.36 Heritage assets (continued)

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount. An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use. Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses. After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Transitional provision

The municipality changed its accounting policy for heritage assets in 2015. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts, as disclosed in . The transitional provision expires on 2015-06-30.

1.36 Heritage assets (continued)

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where heritage assets was acquired through a transfer of functions, the municipality is not required to measure that heritage assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2015 and heritage assets have accordingly been recognised at provisional amounts, as disclosed in .

Until such time as the measurement period expires and heritage assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Heritage assets, the municipality need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of the Standard of GRAP on Heritage assets.

1.37 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;

1.37 Financial instruments (continued)

- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.38 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability. Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.39 Employee benefits

Employee benefits are all forms of consideration given by municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- the municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

1.39 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment. Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.40 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.40 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.41 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.42 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Accounting Policies

1.42 Events after reporting date (continued)

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.43 Unauthorised expenditure

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:
• Overspending of the total amount appropriated in the municipality's approved budget,
• Overspending of the total amount appropriated for a vote in the approved budget,
• Expenditure from a vote unrelated to the department or functional area covered by the vote,
• Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
• Spending of an allocation received from another sphere of Government, municipality, or organ of state otherwise than in accordance with any conditions of the allocation,
• A grant by the municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.44 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.45 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

Accounting Policies

1.45 Investments (continued)

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

1.46 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.47 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012-07-01 to 2015-06-30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.48 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Accounting Policies

1.48 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Notes to the Annual Financial Statements

	2015	2014
	R	R

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2015 or later periods:

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

Notes to the Annual Financial Statements

	2015 R	2014 R
3. INVENTORIES		
Consumable stores	6 660 922	5 265 404
Maintenance materials	7 587 263	6 665 262
Water	170 614	170 614
Other 1	1 123 395	1 020 711
	15 542 194	**13 121 991**

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

4. CONSUMER DEBTORS

	2015 R	2014 R
Gross balances		
Electricity	55 557 147	43 843 361
Refuse	25 340 629	19 511 259
Sewerage	47 606 872	40 682 361
Water	134 189 230	95 497 326
Other (specify)	27 536 663	20 147 309
	290 230 541	**219 681 616**
Less: Allowance for impairment		
Electricity	(14 294 375)	(14 294 375)
Refuse	(8 427 688)	(8 427 688)
Sewerage	(15 489 308)	(15 489 308)
Water	(42 820 343)	(42 820 343)
Other (specify)	(31 656 548)	(9 077 532)
	(112 688 262)	**(90 109 246)**
Net balance		
Electricity	41 262 772	29 548 986
Refuse	16 912 941	11 083 571
Sewerage	32 117 564	25 193 053
Water	91 368 887	52 676 983
Other (specify)	(4 119 885)	11 069 777
	177 542 279	**129 572 370**
Electricity		
Current (0 -30 days)	9 934 688	14 477 574
31 - 60 days	5 391 719	1 845 678
61 - 90 days	4 048 289	1 514 471
91 - 120 days	3 261 193	11 711 263
121 - 365 days	16 992 526	-
> 365 days	1 634 357	-
	41 262 772	**29 548 986**
Water		
Current (0 -30 days)	6 857 333	5 698 250
31 - 60 days	2 672 963	1 892 970
61 - 90 days	2 391 606	1 709 354
91 - 120 days	2 380 429	43 376 409
121 - 365 days	36 987 985	-
> 365 days	40 078 571	-
	91 368 887	**52 676 983**

Notes to the Annual Financial Statements

4. CONSUMER DEBTORS (continued)

	2015 R	2014 R
Sewerage		
Current (0 -30 days)	65 110	702
351	598	351
61 - 90 days	598	351
91 - 120 days	596	25 191 649
121 - 365 days	53 123	-
> 365 days	31 997 539	-
	32 117 564	**25 193 053**
Refuse		
Current (0 -30 days)	363 168	882 154
31 - 60 days	482 550	311 020
61 - 90 days	420 802	294 460
91 - 120 days	395 395	9 595 937
121 - 365 days	14 996 645	-
> 365 days	254 381	-
	16 912 941	**11 083 571**
Other (specify)		
Current (0 -30 days)	556 056	513 739
31 - 60 days	245 985	110 719
61 - 90 days	149 809	55 473
91 - 120 days	137 417	9 029 846
121 - 365 days	10 784 066	(45 008 930)
> 365 days	(15 993 218)	46 368 930
	(4 119 885)	**11 069 777**

Notes to the Annual Financial Statements

	2015 R	2014 R

4. CONSUMER DEBTORS (continued)

Summary of debtors by customer classification

	2015 R	2014 R
Consumers		
Current (0 -30 days)	96 809 922	11 669 818
31 - 60 days	11 791 106	3 821 430
61 - 90 days	10 444 785	4 024 253
91 - 120 days	8 909 160	125 321 529
121 - 365 days	168 223 910	-
	296 178 883	144 837 030
Less: Allowance for impairment	(59 235 777)	-
	236 943 106	**144 837 030**
Industrial/ commercial		
Current (0 -30 days)	3 674 387	4 659 102
31 - 60 days	1 951 559	1 652 748
61 - 90 days	1 440 784	904 460
91 - 120 days	1 088 411	19 592 136
121 - 365 days	19 112 534	-
	27 267 675	**26 808 446**
National and provincial government		
Current (0 -30 days)	(73 693)	1 144 504
31 - 60 days	576 026	331 772
61 - 90 days	313 121	229 758
91 - 120 days	319 201	1 229 690
121 - 365 days	2 778 412	-
	3 913 067	**2 935 724**
Total		
Current (0 -30 days)	96 809 922	17 473 424
31 - 60 days	11 791 106	5 805 950
61 - 90 days	10 444 785	5 158 471
91 - 120 days	8 909 160	146 143 455
121 - 365 days	108 823 083	-
	236 778 056	174 581 300
Less: Allowance for impairment	(59 235 777)	(45 008 930)
	177 542 279	**129 572 370**
Less: Provision for debt impairment		
121 - 365 days	255 751 546	(14 014 600)
> 365 days	(368 439 808)	(76 094 646)
	(112 688 262)	**(90 109 246)**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(90 109 246)	(84 334 216)
Contributions to allowance	59 235 777	1 360 000
Debt impairment written off against allowance	(20 527 155)	(7 135 030)
Reversal of allowance	(61 287 638)	-
	(112 688 262)	**(90 109 246)**

Notes to the Annual Financial Statements

	2015 R	2014 R

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Payments made in advance	(9 793 211)	(8 352 945)
Sundry Deposits	6 757 930	(564 986)
Assessment rates debtors	49 570 443	40 981 651
Sundry Deposits	71 221	50 000
	46 606 383	**32 113 720**

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Current Investments	12 138 648	2 024 445
Bank Accounts	7 063 323	-
Other Cash and Cash Equivalents	2 911	5 450
Bank Overdraft	-	(15 466 633)
	19 204 882	**(13 436 738)**
Current assets	19 204 882	2 029 895
Current liabilities	-	(15 466 633)
	19 204 882	**(13 436 738)**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts

Current Investment Deposits

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 4,45 % to 4,50 % (2014: 4,25 % to 4,30 %)per annum.
Call Deposits are investments with no maturity period.
The municipality does not have any overdrawn current account facilities with its bankers and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
FIRST NATIONAL BANK - Current Account - 620-312-32531	5 786 560	10 092 144	17 777 349	1 742 283	(15 466 633)	-
STANDARD BANK - Current Account - 081-999-356	3 736 884	7 215 473	522 693	-	-	-
Total	**9 523 444**	**17 307 617**	**18 300 042**	**1 742 283**	**(15 466 633)**	**-**

Other Cash and Cash Equivalents

	5 450	5 450

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities. No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

Notes to the Annual Financial Statements

	2015 R	2014 R

7. OPERATING LEASE RECIEVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases. Operating Leases relate to Property owned by the municipality with an option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period. The property rental income earned by the municipality from its Investment Properties, all of which is leased out under operating leases, amounted to R1 005 709.07 (2014: R341328.70).

8. PROPERTY, PLANT AND EQUIPMENT

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	107 548 871	-	107 548 871	85 598 171	-	85 598 171
Buildings	128 685 678	(19 454 597)	109 231 081	112 006 417	(17 463 421)	94 542 996
Infrastructure	739 831 313	(166 360 838)	573 470 475	697 327 648	(139 876 677)	557 450 971
Community	49 907 250	(11 222 096)	38 685 154	49 907 250	(9 642 035)	40 265 215
Other property, plant and equipment	44 796 921	(21 139 536)	23 657 385	47 622 259	(19 532 399)	28 089 860
Other property, plant and equipment # 4	-	(51 120)	(51 120)	-	-	-
Total	**1 070 770 033**	**(218 228 187)**	**852 541 846**	**992 461 745**	**(186 514 532)**	**805 947 213**

Notes to the Annual Financial Statements

Figures in Rand

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Work In Progress	Disposals	Transfers received	Deemed Disposal	Other changes, movements	Depreciation	Accumulated Depreciation Adjustment	Total
Land	85 598 171	-	-	-	21 950 700	-	-	-	-	107 548 871
Buildings	94 542 996	-	-	-	16 679 261	-	-	(1 991 176)	-	109 231 081
Infrastructure	557 450 971	2 265 982	38 138 856	-	-	-	2 098 825	(26 669 215)	185 056	573 470 475
Community	40 265 215	-	-	-	-	-	-	(1 837 778)	257 717	38 685 154
Other property, plant and equipment	28 089 860	174 009	(77 000)	53 312	-	(1 774 754)	-	(2 808 042)	-	23 657 385
Other property, plant and equipment # 4	-	-	-	-	-	-	-	(51 120)	-	(51 120)
	805 947 213	**2 439 991**	**38 061 856**	**53 312**	**38 629 961**	**(1 774 754)**	**2 098 825**	**(33 357 331)**	**442 773**	**852 541 846**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Additions through entity combinations	Transfers received	Other changes, movements	Depreciation	AccumulatImpairment reversal	hello
Land	319 236 991	-	-	(23 949 070)	(209 689 750)	-	-	85 598 171
Buildings	313 510 576	80 717	-	23 949 070	(273 152 160)	(3 572 345)	33 727 138	94 542 996
Infrastructure	539 151 064	(1 661 817)	47 143 932	-	-	(27 182 208)	-	557 450 971
Community	42 011 145	-	385 963	-	-	(2 131 893)	-	40 265 215
Other property, plant and equipment	31 248 693	520 073	-	-	-	(3 678 906)	-	28 089 860
	1 245 158 469	**(1 061 027)**	**47 529 895**	**-**	**(482 841 910)**	**(36 565 352)**	**33 727 138**	**805 947 213**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. INTANGIBLE ASSETS

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	1 137 881	(431 167)	706 714	1 137 881	(189 575)	948 306

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Impairment loss	Total
Intangible assets	948 306	(86 116)	(155 476)	706 714

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Intangible assets	447 916	631 054	(56 643)	(74 021)	948 306

10. HERITAGE ASSETS

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	29 008 049	-	29 008 049	28 931 049	-	28 931 049

Reconciliation of heritage assets 2015

	Opening balance	Additions	Total
Historical buildings	28 931 049	77 000	29 008 049

Reconciliation of heritage assets 2014

	Opening balance	Additions	Total
Historical buildings	25 769 649	3 161 400	28 931 049

11. INVESTMENT PROPERTY

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	201 302 330	-	201 302 330	201 302 330	-	201 302 330

Notes to the Annual Financial Statements

	2015 R	2014 R

11. INVESTMENT PROPERTY (continued)

Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	201 302 330	201 302 330

Reconciliation of investment property - 2014

	Opening balance	Other changes, movements	Reversal of impairments	Fair value adjustments	Total
Investment property	226 882 151	(32 403 921)	1 578 200	5 245 900	201 302 330

A register containing the infromation required by section 63 of the Municipal Financ Management Act is available for inspection at the registered office of the municipality. The Investment Properties were valued by Mr Malan Ferreira as at 30 June 2014, an independent professional valuer registered with the South African Council for the Property Valuers Profession, however, as at 24 August 2015 Makana Municipality had not yet received the Valuation Report relating to 2014/15 financial year.

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

12. INVESTMENT

	2015 R	2014 R
Residual interest at cost		
Fixed deposit	141 719	161 477

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 4,80 % to 5,64 % (2012: 9,42% to 15,27%) per annum.

The Municipal Structures Act, Act 177 of 1998, requires local authorities to invest funds which are not immediately required with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

	2015 R	2014 R
Non-current assets		
Fixed Deposit	141 719	161 477

Financial assets at fair value

13. CONSUMER DEPOSITS

	2015 R	2014 R
Electricity and water	2 321 154	2 297 709

Notes to the Annual Financial Statements

	2015 R	2014 R

13. CONSUMER DEPOSITS (continued)

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held.

14. PROVISIONS

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	782 119	33 757	815 876

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Other provisions			
Heading			
Environmental rehabilitation	749 691	32 428	782 119

The movement in provisions are reconciled as follows:

Current Portion of Non-Current Provisions

15. PAYABLES FROM EXCHANGE TRANSACTIONS

	2015	2014
Trade payables	134 972 225	33 363 394
Payments received in advance	704 718	-
Retentions	2 149 864	1 396 132
Accrued leave pay	12 341 643	7 967 107
Debtors with Credit Balances	27 825 760	-
	177 994 210	**42 726 633**

The municipality did default on payment of its Creditors. However, no terms for payment have been renegotiated by the municipality.

The average credit period on purchases is 180 (2015:70) days, as opposed to 30 days from the receipt of the invoice as determined by the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.Staff Bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date. Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date. No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

16. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2015	2014
Other Creditor	30 228 326	24 630 146
Sundry Debtors	2 451 685	2 077 080
	32 680 011	**26 707 226**

Notes to the Annual Financial Statements

	2015 R	2014 R

16. PAYABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:

	2015 R	2014 R
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	13 461 200	12 533 658
Fianance Management Grant (FMG)	37 489	309 503
Expanded Public Works program (EPWP)	276 205	-
Disaster Grant	3 876 000	7 447 552
	17 650 894	**20 290 713**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

18. VAT PAYABLE

	2015 R	2014 R
Tax refunds payables	12 628 148	14 100 340

VAT is payable to SARS on a payment basis. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

Due to the incorrect application of technical understanding of SARS VAT guide, the Reconciliations between the SARS statement of account and the general ledger account in the past were not performed accurately and on a monthly basis to ensure payments or receipts are correctly allocated. Hence the system (GL) and vat receivable for the current year is not tallying. (Prior year mistake on ABAKUS which are currently being fixed).

VAT RECEIVABLE	2015	2014
VAT receivable from SARS	1 647 224	93 303 (per AFS)

19. OTHER FINANCIAL LIABILITIES

	2015 R	2014 R
Designated at fair value (DBSA)		
Bank loan	61 035 802	54 126 737
Terms and conditions		

Refer to Appendix A for detail on Long-term Liabilities.

	2015 R	2014 R
Non-current liabilities (DBSA)		
Designated at fair value	56 907 870	50 116 917
Current liabilities		
Designated at fair value	4 127 932	4 009 820

Notes to the Annual Financial Statements

	2015 R	2014 R

20. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit plan

The amounts recognised in the statement of financial position are as follows:

Carrying Value	61 612 536	57 100 887

Post retirement health care benefit liability

The municipality operates an unfunded defined benefit plann for qualifying employees, and offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme. The accrued unfunded liability at 30 June 2015 is based on the municipality's accrued contributiions-based liability and takes no account of any potential contingent Cros-subsidy liability. The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation report was performed on 30 June 2015 by Arch Actuarial Consulting using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-Service Members	323	350
In-Service Non-members	273	290
Continuation Members	61	68
	657	**708**

The liability in respect of past service has been estimated as follow:

In-Service (employee) Members	30 855 650	26 531 696
In-Service (employee) Non-members	6 309 647	5 838 885
Continuation members (retiree and widow)	24 447 239	24 730 306
	61 612 536	**57 100 887**

The municipality makes monthly contributions for health-care arrangements to the following Medical Aid Schemes

Bonitas
Samwumed
Keyhealth
Hosmed
LA Health

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	57 100 887	45 862 298
Net expense recognised in the statement of financial performance	4 511 649	11 238 589
	61 612 536	**57 100 887**

The amounts recognised in the statement of financial performance are as follows

Current service cost	2 832 207	2 113 734
Interest cost	5 080 194	3 977 224
Actuarial (gains) losses	(1 426 128)	6 933 543
Expected employer Benefits Payments	(1 974 624)	(1 785 912)
	4 511 649	**11 238 589**

	2015 R	2014 R

20. **EMPLOYEE BENEFIT OBLIGATIONS (continued)**

The principal assumptions used for the purpose of the actuarial valuations were as follows:

(i) SA 85-90 table was used for pre-retirement mortality adjusted for female lives, and table PA (90)-1 was used for post-retirement mortality, adjusted year of age.

	2015	2014
Medical Health Discount rates used	9.02 %	9.05 %
Post-retirement health care net effective discount rate	0.82 %	0.76 %
Medical health General salary inflation	8.13 %	8.22 %
Long-Service award discount rate used	7.78 %	7.79 %
Long- service award general salary inflation	6.97 %	7.05 %
Long service awards net effective discount rate	0.75 %	0.69 %
Proportion of eligible non-members joining the scheme by retirement	20.00 %	20.00 %

(ii) Normal Retirement Age

	2015	2014
Expected Retirement Age (females)	63	63
Expected Retirement Age (males)	63	63

The PA 90-1 mortality table, adjusted down by one year of age, was used. The SA85-90 ultimate table, adjusted for female lives was used.

Other assumptions

it is further assumed that the level of benefits receivable, and the cocntributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments.

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost: 2015	9 392 800	6 682 200
Effect on defined benefit obligation: 2014	7 213 200	5 171 300

The history of experienced adjustments is as follows:

The fair value of Plan assets: The post-employment health care liability and Long- Service Awards are not a funded arrangement i.e no separate assets have been set aside to meet this liability

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	61 612 536	57 100 887	45 862 298	49 602 909	41 693 479
Surplus (deficit)	(61 612 536)	(57 100 887)	(45 862 298)	(49 602 909)	(41 693 479)
Experience adjustments on plan liabilities: (Gain)/Losses	(789 000)	4 866 000	(7 717 000)	1 131 000	1 454 000

Notes to the Annual Financial Statements

	2015 R	2014 R

20. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Long -service awards

Changes in the present value of the defined benefit obligation are as follows:

	2015 R	2014 R
Opening Balance	6 139 666	4 603 882
Net expense recognised in the statement of financial performance	708 135	1 535 784
	6 847 801	**6 139 666**

The amount recognised in the Statement of Financial Position are as follows:

	2015 R	2014 R
Long-Service awards- Carrying Amount	5 861 625	5 153 490

:

Net expense recognised in the statement of financial performance

	2015 R	2014 R
Current Service Costs	807 335	703 547
Interest costs	379 015	284 144
Actuarial gains/losses	103 327	548 093
Benefits paid	(581 542)	-
	708 135	**1 535 784**

21. ADDITIONAL NOTE

22. REVENUE

	2015 R	2014 R
Service charges	199 402 150	161 564 120
Rental of facilities and equipment	1 023 409	800 907
Interest received (trading)	12 494 247	11 207 128
Agency services	850 378	877 055
Licences and permits	2 344 416	2 596 574
Other income - (rollup)	1 353 967	2 043 752
Property rates	53 827 308	46 153 127
Government grants & subsidies	122 798 897	115 585 733
Fines, Penalties and Forfeits	55 402	655 711
	394 150 174	**341 484 107**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2015 R	2014 R
Service charges	199 402 150	161 564 120
Rental of facilities and equipment	1 023 409	800 907
Interest received	12 494 247	11 207 128
Agency services	850 378	877 055
Licences and permits	2 344 416	2 596 574
Other income - (rollup)	1 353 967	2 043 752
	217 468 567	**179 089 536**

Notes to the Annual Financial Statements

	2015 R	2014 R

22. REVENUE (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	53 827 308	46 153 127
Transfer revenue		
Government grants & subsidies	122 798 897	115 585 733
Fines, Penalties and Forfeits	55 402	655 711
	176 681 607	**162 394 571**

23. PROPERTY RATES

Rates received

Residential	-	17 189 378
Commercial	-	8 233 075
State	57 215 209	1 811 803
Municipal	-	9 941 346
Agricultural	-	1 763 355
Industrial	-	891 327
Educational	-	2 060 003
Institutional	-	7 633 633
Less: Income forgone	(3 387 901)	(3 370 793)
	53 827 308	**46 153 127**

Valuations

Residential	20 713 016	4 483 151
Commercial	9 368 940	757 012
State	11 831 868	664 085
Municipal	-	386 014
Undetermined	360 233	-
Agricultural	2 053 893	1 856 163
Industrial	1 556 606	153 097
Educational	10 580 233	525 377
Institutional	39 877	988 429
Less: Income forgone	(3 838 019)	-
	52 666 647	**9 813 328**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2018.

24. SERVICE CHARGES

Service charges	101 716	89 858
Sale of electricity	114 618 681	95 765 691
Sale of water	53 343 901	39 593 551
Sewerage and sanitation charges	21 525 255	19 752 159
Refuse removal	9 812 597	6 362 861
	199 402 150	**161 564 120**

Notes to the Annual Financial Statements

	2015 R	2014 R

25. GOVERNMENT GRANTS AND SUBSIDIES

	2015	2014
Operating grants		
Equitable share	72 184 000	53 602 000
Municipal System Improvement Grant (MSIG)	934 000	937 584
Department Sport, Recreation, Arts & Culture	3 985 000	-
Municipal Infrastructure Grant (MIG)	9 836 800	1 808 947
Finance Management Grant (FMG)	1 562 510	1 240 497
Other Government: LG Seta	1 025	195 853
Other Grants	32 065 683	25 165 312
	120 569 018	82 950 193
Capital grants		
Neighbourhood Development Partnership Grant (NDPG)	-	5 407 499
Expanded Public Works Program Grant (EPWP)	730 795	-
Human Settlement Grant	-	1 895 140
DWA	-	6 657 391
CDM	-	1 276 448
Municipal Infrastructure Grant (MIG)	-	14 086 037
Other Grant	-	3 313 025
Regional Bulk Infrastructure Grant	1 499 084	-
	2 229 879	32 635 540
	122 798 897	**115 585 733**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy a monthly subsidy based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All registered indigent household receive 10kl water and 50 kWh electricity free every month. No funds will be withheld.

Municipal Infrastructure Grant

	2015	2014
Balance unspent at beginning of year	12 533 658	-
Current-year receipts	23 298 000	27 998 000
Conditions met - transferred to revenue	(22 370 458)	(15 464 342)
	13 461 200	**12 533 658**

The municipal Infrastructure Grant (MIG) was allocated for construction of Roads, basic sewere and water infrastructure as pa of the life of poor households,micro enterprise and social instituition. and also to provide new , rehabilitation and upgrading of municipal infrastructure.

NDPG

	2015	2014
Current-year receipts	-	5 841 000
Conditions met - transferred to revenue	-	(5 841 000)
	-	**-**

Expenses were incurred to promote development of communities. R14 650 000 have been withheld

Equitable Share

Department of Housing

	2015	2014
Balance unspent at beginning of year	-	3 345 595
Current-year receipts	3 345 595	-

Notes to the Annual Financial Statements

	2015 R	2014 R

25. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Conditions met - transferred to revenue	(3 345 595)	(3 345 595)
	-	**-**

This Grant was allocated to the municipality to assist the municipality to provide housing for the poor

Finance Management Grant

Balance unspent at beginning of year	309 503	-
Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 872 014)	(1 240 497)
	37 489	**309 503**

The Finance Management Grant is paid by National Treasury to municipalitues to help them implement the finance management reforms requiered by Municipal finance Management Grant (MFMA) 2003

Municipal Systems Improvement Grant

Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(1 038 198)	(937 674)
Over expenditure	104 198	47 674
	-	**-**

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems

Expanded Public Works program

Balance unspent at beginning of year	-	197 393
Current-year receipts	1 007 000	1 000 000
Conditions met - transferred to revenue	(730 795)	(1 197 393)
	276 205	**-**

The Expanded Public works Program was allocated to the municipality for enviromental and water infrastructure projectst

Other Grants: LG Seta

Current-year receipts	1 023	195 853
Conditions met - transferred to revenue	(1 023)	(195 853)
	-	**-**

Department of Sport,Recreation, Arts & Culture

Current-year receipts	-	3 985 000
Conditions met - transferred to revenue	-	(3 985 000)
	-	**-**

This Grant was allocated to the municipality for purpose of mantaining and building libraries in the community

Department of Water Affairs

Current-year receipts	3 561 189	6 657 391
Conditions met - transferred to revenue	(5 223 182)	(9 461 662)
Other	1 661 993	2 804 271

Notes to the Annual Financial Statements

	2015 R	2014 R

25. GOVERNMENT GRANTS AND SUBSIDIES (continued)

	-	-

Conditions still to be met - remain liabilities (see note 17).

This Grant was tranfered to the municipality for the operation and mantainance of sewerage and water schemes transfered from DWA to the municipality and refurbishment of water infrastructure.

Grant: Regional Bulk Infrastructure

	2015 R	2014 R
Current-year receipts	1 499 084	-
Conditions met - transferred to revenue	(1 499 084)	-
	-	-

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

Department of Minerals and Energy

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

This Grant was allocated to the municipality for electricity infrastructure

Provincial: Other Grants

	2015 R	2014 R
Balance unspent at beginning of year	-	4 866 099
Conditions met - transferred to revenue	-	(4 866 099)
	-	-

26. OTHER INCOME

	2015 R	2014 R
Administration/sale of plots	419 422	346 681
Advertising fees	664	1 210
Building Plans	291 175	350 097
Car pound fees	38 980	9 871
Grazing fees	22 056	21 538
Weighbridge fees	-	2 349
Sundry revenue	535 834	1 192 841
Search fees	10 435	4 865
Printing and photocopies	19 314	54 343
Refuse bags and bins	14 092	16 709
Royalties	-	41 111
Tow in charges	-	1 660
Vacuun tanker	-	477
Street Painting Fee	1 995	-
	1 353 967	**2 043 752**

Notes to the Annual Financial Statements

	2015 R	2014 R

27. GENERAL EXPENSES

	2015 R	2014 R
External Audit Fees	12 769 825	67 099
Advertising	768 363	1 812 827
Internal Audit fees	7 677	553 861
Bank charges	343 425	899 545
Internal Audit fees	149 767	133 155
Commission paid	1 399 944	1 691 448
Consulting and professional fees	3 281 202	3 564 491
Insurance	1 338 028	1 308 078
Project Expenses From Own Funds	2 586 821	7 167 611
Conferences and seminars	510 325	1 168 258
Newsletter	-	83
Fuel and oil	3 964 856	5 576 003
Relocation Expenses	282 085	196 317
Postage and courier	837 470	941 899
Printing and stationery	13 348	-
Rental expenses	185 259	404 920
License Cards And Licences	584 930	407 550
Security (Guarding of municipal property)	2 581 804	3 871 788
Telephone and fax	2 738 006	2 770 519
Training	432 140	598 259
Travel - local	266 399	155 598
Electricity and Water	16 922 086	4 625 038
Uniforms	53 992	3 037
Council meeting expenses	378 369	314 294
Emergency food supply	89 151	75 041
Administration Charges	2 704 354	3 902 137
Loss Control	124 035	1 562 912
Materials and stores	(17 667)	463 365
General Expenditure incurred from Grants	506 063	-
Chemicals	64 030	582 160
Convention bureau	820 411	327 334
Other expenses	2 374 869	1 219 321
	59 061 367	**46 363 948**

Notes to the Annual Financial Statements

	2015 R	2014 R
28. EMPLOYEE RELATED COSTS		
Basic	95 431 647	89 808 153
Bonus	(6 106 093)	(2 564 485)
Medical aid - company contributions	6 192 148	6 095 960
UIF	825 908	840 728
SDL	1 062 751	1 038 218
Leave pay provision charge	1 080 641	7 520 887
Group life insurance	596 447	565 598
Defined contribution plans	13 582 143	13 011 292
Overtime payments	7 108 154	8 477 756
Transport allowance (bus coupons)	3 302 418	3 278 242
Housing benefits and allowances	291 721	270 439
Inconvenience benefit	1 146 707	1 124 676
Retention	146 406	161 598
Medical aid for retired members	3 084 556	138 330
Vacancies	646 617	51 541
	128 392 171	**129 818 933**
Acting Municipal Manager:		
M Planga	55 300	78 303
T Mnguni	149 559	76 679
B Khumalo	109 922	-
	314 781	**154 982**
Acting Chief Financial officer:		
L Sizani	-	11 183
M Crouse	30 915	164 320
B Khumalo	153 062	25 521
N Balincwadi-Qaba	15 746	-
	199 723	**201 024**
Director: Community & Social Services: M Planga		
Earnings	755 776	691 142
Perks	153 447	142 627
Company Contributions	11 147	10 642
	920 370	**844 411**
Director: Corporate Services: M Madlavu		
Earnings	795 277	658 858
Perks	152 922	135 965
Company Contributions	10 984	9 482
	959 183	**804 305**
Director: Local Economic Development: MJ Meiring		
Earnings	140 313	172 786
Perks	28 955	35 657
Company Contributions	2 085	3 430
	171 353	**211 873**
Director: Technical & Infrastructure Services: ET Myalato		
Earnings	510 695	656 223
Perks	93 725	135 965
Company Contributions	7 112	10 372

Notes to the Annual Financial Statements

	2015 R	2014 R
28. EMPLOYEE RELATED COSTS (continued)		
Acting Allowance	-	84 176
	611 532	**886 736**
Acting Director: Local Economic Development:		
T Sindane	256 986	150 808
Acting Director: Corporate Services		
E Mager	36 265	26 728
Acting Director: Technical Services		
D Mlenzana	114 456	-
Municipal Manager: P Naidoo		
Earnings	-	595 257
Perks	-	114 199
Company Contributions	-	8 075
	-	**717 531**
Chief Financial Officer: D Sahibdeen		
Earnings	-	54 905
Perks	-	11 330
Company Contributions	-	790
	-	**67 025**

29. REMUNERATION OF COUNCILLORS

	2015 R	2014 R
Executive Mayor	604 237	507 503
Councillors	8 854 031	7 829 232
	9 458 268	**8 336 735**

30. DEPRECIATION AND AMORTISATION

	2015 R	2014 R
Property, plant and equipment	33 443 447	36 729 303

31. IMPAIRMENT OF ASSETS

	2015 R	2014 R
Impairments		
Property, plant and equipment Microsoft licences no longer in use as the municipality has now the bulk server licences not the individual.	155 476	-

32. FINANCE COSTS

	2015 R	2014 R
Capitalised	12 023 017	5 115 191
Other interest paid	9 513 065	1 221 853
	21 536 082	**6 337 044**

33. AUDITORS' REMUNERATION

	2015 R	2014 R
Fees	7 677	553 861

Notes to the Annual Financial Statements

	2015 R	2014 R

34. RENTAL OF FACILITIES AND EQUIPMENT

	2015 R	2014 R
Premises		
Venue hire	85 534	85 601
Facilities and equipment		
Amenities	23 660	3 223
	109 194	**88 824**

35. CONTRACTED SERVICES

	2015 R	2014 R
Other Contractors	4 490 552	6 917 134

36. GRANTS AND SUBSIDIES PAID

	2015 R	2014 R
Other subsidies		
Grants in aid	1 000	-
Free basic services	28 647 856	20 549 245
Makana Tourism	484 194	968 238
Internship programme	1 393 859	580 975
Donation	-	134
Rhodes	17 706	-
	30 544 615	**22 098 592**

37. BULK PURCHASES

	2015 R	2014 R
Electricity	79 293 639	67 096 416
Water	2 743 120	-
	82 036 759	**67 096 416**

38. CASH GENERATED FROM (USED IN) OPERATIONS

	2015 R	2014 R
Surplus	14 957 429	15 498 461
Adjustments for:		
Depreciation and amortisation	33 443 447	36 729 303
Loss on sale of assets and liabilities	(32 062)	-
Fair value adjustments	-	(5 245 900)
Impairment deficit	155 476	23 288 077
Movements in operating lease assets and accruals	516	(11 559)
Movements in retirement benefit assets and liabilities	5 116 457	(8 169 847)
Movements in provisions	33 757	32 428
Impairment loss on PPE	-	(33 727 138)
Prior year error	(63 507 470)	789 890
Bad debt write-off	-	(934 760)
Changes in working capital:		
Inventories	(2 420 203)	(4 415 990)
Receivables from exchange transactions	3 876 323	3 272 824
Consumer debtors	(47 969 909)	10 885 773
Other receivables from non-exchange transactions	(14 492 663)	(11 795 599)
Payables from exchange transactions	135 267 577	(1 596 424)
VAT	(1 472 192)	15 758 737
Taxes and transfers payable (non exchange)	5 972 785	(34 326 561)
Unspent conditional grants and receipts	(2 639 819)	(9 785 131)
Consumer deposits	23 445	91 261
	66 312 894	**(3 662 155)**

Notes to the Annual Financial Statements

	2015 R	2014 R
39. COMMITMENTS		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	18 771 627	67 743 316
Total capital commitments		
Already contracted for but not provided for	18 771 627	67 743 316

40. RISK MANAGEMENT

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function. There has not been any reviews conducted during the year which exposed the municipality to high financial risks.
Further quantitative disclosures are included throughout these Annual Financial Statements

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality’s reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Notes to the Annual Financial Statements

	2015 R	2014 R

40. RISK MANAGEMENT (continued)

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.
The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made. Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable. The municipality is not exposed to credit interest rate risk as the municipality has no borrowings. The municipality’s exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Cash flow interest rate risk

	2015 R	2014 R

40. RISK MANAGEMENT (continued)

Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor (impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelveo credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.
Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:
• The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any
amount remains outstanding from a previous debtor on the same property;
• A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred
to the new owner, if the previous owner does not settle the outstanding amount;
• The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms
of section 102 of the MSA;
• The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.
Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters
There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.
The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest rist exposure in respect of the relevant finacial instruments is as follows:

Foreign exchange risk

The municipality's operations do not expose it to foreign exchange risk arising from various currency exposures and therefore has no formal policy to hedge volatilities in the interest rate market.

Notes to the Annual Financial Statements

	2015 R	2014 R

41. UNAUTHORISED EXPENDITURE

Opening Balance	193 387 100	187 013 261
Unauthorised Expenditure - Current	134 028	6 373 839
	193 521 128	**193 387 100**

42. FRUITLESS AND WASTEFUL EXPENDITURE

Opening Balance	1 063 390	174 406
Fruitless and Wasteful Expenditure	5 766 340	888 984
Written Off by Council	(5 760 217)	-
	1 069 513	**1 063 390**

These are as a results of interest paid on overdue payments which are not incompliance with MFMA s65(e) which states that all money owed by the municipality be paid within 30days of receiving the relevant invoice or statement.

43. IRREGULAR EXPENDITURE

Opening balance	81 148 193	43 799 316
Add: Irregular Expenditure - current year	520 749	37 348 877
	81 668 942	**81 148 193**

44. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Audit fees

Opening balance	8 000 708	-
Current year subscription / fee	4 658 948	8 000 708
	12 659 656	**8 000 708**

Balanced unpaid (included in Creditors). In terms of section 65 (e) and (f) of the MFMA the municipality must pay all money owing within 30days of receiving the relevant invoice or statement and also comply with all relevant Statutory commitments. The municipality and the Ofiice of Auditor General have entered in a payment agreement plan.

PAYE and UIF

Opening balance	4 172 091	-
Current year subscription / fee	14 128 811	13 712 503
Amount paid - current year	(18 301 295)	(9 540 412)
	(393)	**4 172 091**

VAT

VAT payable	12 628 148	14 100 340

VAT returns have been submitted by the due date throughout the year.VAT is payable on receipts basis. Only when payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has a financial risk policies in place to ensure that payments are effected before due date, however S65(f) of MFMA was grossly contradicted.

Notes to the Annual Financial Statements

	2015 R	2014 R

44. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor E Louw	8 761	61 230	69 991
Councillor L May	-	25 550	25 550
	8 761	**86 780**	**95 541**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Peter JZ	12	98	110
Councillor Plaatjie R	-	128	128
Councillor Masoma NC	-	224	224
Councillor May LC	-	2 363	2 363
Councillor Jackson BP	-	202	202
Councillor Louw E	-	4 713	4 713
	12	**7 728**	**7 740**

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days.

30 June 2015	Highest outstanding amount	Aging (in days)
Councillor A	-	98
Councillor B	-	128
Councillor C	-	224
Councillor D	-	2 363
Councillor E	-	202
Councillor F	-	4 713
	-	**7 728**

30 June 2014	Highest outstanding amount	Aging (in days)
Councillor A	-	1 769
Councillor B	-	2 490
Councillor C	-	15 667
Councillor D	-	209
Councillor E	-	6 136
	-	**26 271**

45. BUDGET DIFFERENCES

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

46. CONTINGENCIES

The known contingent liabilities and assets as at 30 June 2015 are estimated at R47 042 397.37 for liabilities and R1 011 597 for assets, (2013/14: R1 011 597 for liabilities and R736 597 for assets)
.

Contingent liabilities

Below is a list of possible liability claims where the outcome was unknown as at 30 June 2015 withthe maximum unforeseen liability for the municipality.
Solethu Energy PTY (LTD)// Makana. The claim amount is R151 491.54

Ndlambe Electrical//Makana, The dispute is in relation to the amount claimed. The municipality is likely to pay the claimed amount of R2 086 956.53. Court settlement will be reached held on 31st August 2015

Qezu//Makana. Matter was set down to 22 September 2015 for arbitration. It is likely that the possible outcome will be reinstatement or pay the damages.

Mkhuzo//Makana, Matter is set down at SALGBC 21st September 2015 for arbitration. Criminal matter finalised , Ms Mkhuzo found not guilty. It is likely that municipality will pay or reinstate the employee.

Z. Nontshinga // Makana, Joined as 3rd party in MVA Claim. The municipality is likely to pay R244 500.

Mthombo Resorts//Makana, Breach of lease agreement, non-payment of rent. The amount claimed by Mthombo is R9 300 000.

Mrs Martin//Makana, MVA. Municipality is not likely to pay.

Fourie//Makana, Post-retirement benefits employer stopped 70% contribution Municipality is likely to pay.

Blunden Tours, Summons R22 000.00. The municipality is likely to pay R16 000.

Bowles // Makana, traffic officer Bafo arrested Mr. Bowles, finalised in our favour but was taken on apeal, matter finalised appeal upheld. The claim amount is R100 000. The municipality is likely to win.

Telkom SA // Makana, damages caused to Telkom lines. The claim amount is R56 000.

Ndunyana//Makana, Egazini eviction, applicant appealed, set down matter. The claim amount is R39 196

Give Siyawa//Makana, Breach of Contract. The claim amount is R26 000 000.
Valley Environmpreneurs//Makana, professional consulting engineers, letter of demand get information and instructions. The claim amount is R214 830

Bates and Konstant: This claim is with regard to the failure to empty conservation tank to the amount of R300 000. Negotiations in progress.

Urban Dynamics EC Inc //Makana, with regards to Development of land use, business plan non-payment. The claimed amount is R200 000 plus 15.5%.
Durchame Consulting//Makana, the dispute is over an amount owed for assisting in preparing the AFS. The municipality is likely to pay. The claim amount is R1 479 538.96

SAMWU/Makana, MOU strike.
SANTAM//Makana. The claim is R8 889.12
Solethu Eneregy PTY (LTD)//Makana. The claim amount is R151 491.54

Notes to the Annual Financial Statements

	2015 R	2014 R

46. CONTINGENCIES (continued)

Brinkman Ndayi McALL // Makana municipality: This is a claim with regards to summons issued for the professional services rendered to the amount of R662 169.38. The municipality is likely to pay.
PinZon Traders 8 PTY (LTD)//Clublink PTY (LTD)// Makana regarding the rezoning matter.

Matthew Theijssen // Makana Municiaplity: This is a claim with regards to the civil action, unlawful arrest by the traffic officer, Bafo, to the amount of R200 000.
Bonisile Jamela//Makana: This is a claim regarding municipal workers damaging a wall of an applicant to the amount of R3 471.51
Masuku Dube Tiffllin//Makana, non-payment of service, Roads and Stormwater Project Alicdale. The claim amount is R382 155.22.
Lunotech//Makana, supply of Electrical goods. The claim amount is R681 343.80
SALGBC//Makana, Arbitration cost orders. The municipality is likely to pay
WRC//Makana, for the provision of legal services, SAMWU interdict. The claim is R9 620
WS Khethe/Makana, Long Service Bonus from 2013. The attormey have no jurisdiction at this stage. Grievance procedures are not followed by employee.

Green Body Corporate v Makana Municipality: This is a claim with regards to the damages to property done by the municipal truck BPX 663 EC to the amount R6209. It is likely that municipality will pay.
Bonisile Jamela // Makana: This is a claim with regards to municipal workers damaged wall of an applicant to the amount of R3 471.51.

Thembakazi Mpofu//Makana, Municipal truck collided with her house. The claim amount is R212 262. The municipality is likely to pay.Thembakazi Mpofu//Makana, Municipal truck collided with her house. The claim amount is R212 262. The municipality is likely to pay.

Contingent assets

Below is a list of possible assets where the outcome was unknown as at 30 June 2015 with the maximum unforeseen asset for the Municipality:
M Boma v Makana Municipality: This is a claim with regards to benefits not due paid to the employee and the irregular expenditure to the value of R311 597. It is likely that the municipality will receive this money.
Dr Naidoo// Makana. Dismissed 3/3/2014 conciliation failed 2/5/2014 Writ of executions for wasted legal cost dating back 2007, R172 667.06, Recover our costs and R 108 000 paid to Dr Naidoo, and other cost orders against him. Arbitration set down for 13-14 September 2015. Mr Naidoo owes Municipality about R500 000.
Ngcelwane v Makana Municipality: This is a claim relating to the labour matter dismissal, to the value of R200 000. It is likely that the municipality will win.
Bowles // Makana, traffic officer Bafo arrested Mr. Bowles, finalised in our favour but was taken on appeal. The municipality is likely to win.
T Bulana// Makana Municipality: This is a claim with regards to the death of a cow in municipality’s impound to the amount of R35 000. It is likely that municipality will win.T Bulana// Makana Municipality: This is a claim with regards to the death of a cow in municipality’s impound to the amount of R35 000. It is likely that municipality will win.

47. RELATED PARTIES

Relationships

Relationship	Councillors
Z.J. Peter	Shareholder of Telkom
Members of key management	Directors
M. Planga	Shareholder of Aspen,Nasper,Woolies and LNV Management Consultants

48. Prior period errors

Statement of Financial Position

	Note(s)	Unaudited R	Prior year adjustments R	Reclassifying adjustments R	Restated R
Assets					
Current Assets					
Cash and cash equivalents		1 594 932	434 963	-	2 029 895
Inventories		7 864 464	5 257 527	-	13 121 991
Operating lease asset		16 966	11 559	-	28 525
Receivables from exchange transactions		-	6 375 986	-	6 375 986
VAT receivable		93 303	(93 303)	-	-
Receivables from non-exchange transactions		29 192 104	2 921 616	-	32 113 720
Consumer debtors		128 393 173	1 179 197	-	129 572 370
Other asset 1		270 734	(270 734)	-	-
Non-Current Assets					
Investment property		201 302 330	-	-	201 302 330
Property, plant and equipment		809 686 415	(3 739 202)	-	805 947 213
Intangible assets		948 306	-	-	948 306
Heritage assets		28 931 049	-	-	28 931 049
Investment		601 391	(439 914)	-	161 477
		1 041 469 491	**(4 179 116)**	**-**	**1 037 290 375**
Total Assets		**1 208 895 167**	**11 637 695**	**-**	**1 220 532 862**
Liabilities					
Current Liabilities					
Consumer deposits		2 297 709	-	-	2 297 709
Employee benefit obligation		-	9 712 674	-	9 712 674
Other financial liabilities		3 888 220	121 600	-	4 009 820
Provisions		3 365 434	(3 365 434)	-	-
Payables from exchange transactions		29 025 700	13 700 933	-	42 726 633
Taxes and transfers payable (non-exchange)		44 829 736	(18 122 510)	-	26 707 226
VAT payable		14 168 736	(68 396)	-	14 100 340
Unspent conditional grants and receipts		55 185 420	(34 894 707)	-	20 290 713
Bank overdraft		15 466 633	-	-	15 466 633
		168 227 588	**(32 915 840)**	**-**	**135 311 748**
Non-Current Liabilities					
Employee benefit obligation		35 168 209	5 153 500	-	40 321 709
Other financial liabilities		50 116 917	-	-	50 116 917
Provisions		4 544 799	(3 762 680)	-	782 119
Other liability 3		-	(121 600)	-	(121 600)
		89 829 925	**1 269 220**	**-**	**91 099 145**
Total Liabilities		**258 057 513**	**(31 646 620)**	**-**	**226 410 893**
Net Assets		**950 837 654**	**43 284 315**	**-**	**994 121 969**

Notes to the Annual Financial Statements

			2015 R	2014 R
Net Assets				
Reserves				
Housing development fund	-	5 427 536	-	5 427 536
Accumulated surplus	945 139 379	43 555 056	-	988 694 435
Total Net Assets	**945 139 379**	**48 982 592**	**-**	**994 121 971**

Consumer Debtors

Correction of group life payments and payment to a supplier.

Operating lease asset
Accounting for straight lining of operating lease not previously accounted for on stratight line basis.

VAT

Correction on VAT accounting in prior year relating to creditors.

Receivables from non-exchange transactions

Includes the reversal of accrued interest previously incorrectly captured and the reclassification of creditors with debit balances.

Accumulated Surplus

Accumulated surplus was restated to account for corrections on assets and liabilities

Payables from exchange transactions

This is as a result of prior period journals and correction of group life payments and reclassification of creditors with debit balances.

Notes to the Annual Financial Statements

	2015 R	2014 R

Statement of Financial Performance

	Note(s)	Unaudited R	Prior year adjustments R	Reclassifying adjustments R	Restated R
Revenue					
Revenue from exchange transactions					
Service charges		161 564 120	-	-	161 564 120
Rental of facilities and equipment		789 348	10 835 646	-	800 907
Interest received (trading)		1 287 280	9 919 848	-	11 207 128
Agency services		877 055	-	-	877 055
Licences and permits		2 596 574	-	-	2 596 574
Other income		2 062 883	(19 131)	-	2 043 752
Interest received - investment		385 120	(385 120)	-	-
Total revenue from exchange transactions		**169 562 380**	**20 351 243**	**-**	**179 089 536**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates		46 135 174	-	-	46 153 127
Transfer revenue					
Government grants & subsidies		94 429 938	21 155 795	-	115 585 733
Fines, Penalties and Forfeits		655 711	-	-	655 711
Total revenue from non-exchange transactions		**141 220 823**	**21 155 795**	**-**	**162 394 571**
Total revenue		**310 783 203**	**41 507 038**	**-**	**341 484 107**
Expenditure					
Employee related costs		(124 835 865)	(4 983 068)	-	(129 818 933)
Remuneration of councillors		(8 336 735)	-	-	(8 336 735)
Depreciation and amortisation		(36 729 303)	-	-	(36 729 303)
Impairment loss/ Reversal of impairments		(22 509 630)	22 509 630	-	-
Finance costs		(6 337 044)	-	-	(6 337 044)
Repairs and maintenance		(12 735 113)	(41 863)	-	(12 776 976)
Bulk purchases		(67 096 416)	-	-	(67 096 416)
Contracted services		(6 469 478)	(447 656)	-	(6 917 134)
Grants and subsidies paid		(22 093 276)	(5 316)	-	(22 098 592)
General Expenses		(44 135 620)	(3 368 728)	-	(47 504 348)
Total expenditure		**(351 278 480)**	**13 662 999**	**-**	**(337 615 481)**
Operating surplus		**(40 495 277)**	**55 170 037**	**-**	**3 868 626**
Fair value adjustments		5 245 900	-	-	5 245 900
Inventories: (Write-down)/reversal of write-down to net realisable value		-	6 383 935	-	6 383 935
		5 245 900	**6 383 935**	**-**	**11 629 835**
Surplus for the year		**(35 249 377)**	**61 553 972**	**-**	**15 498 461**

General Expenses

General expenditure restated to correct expenditure that should have been accounted for in the prior periods

Notes to the Annual Financial Statements

	2015 R	2014 R

49. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

During 2014/15 financial year the following goods and services were procured deviated from the provisions of paragraph 12(1)(d)(i) as stated above but in line with paragraph 36 of SCM regulations. The reasons for these deviations from normal SCM regulations were documented and reported to the accounting officer who considered and subsequently approved them:

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50. BULK ELECTRICITY WATER LOSS

Electricity: 2015	Purchased during the year	Sold during the year	Unaccounted for
units (kWh)	(65 342 451)	111 746 527	46 404 076

Calculated as follows:	%	Distribution	Value
Bulk	86.60 %	65 342 451	56 605 490

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on the bulk meter, fault meters and illegal electricity connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meter and illegal connections is an ongoing process, with regular action being taken against defaulters.

Water Losses	Lost units	Cost per KL	Value
Unaccounted water losses	497 369	1.29	642 749

Water losses ocer due to inter alia. leakages, the tempering of meters, faulty meters and illegal water connections. The municipality is currentions. The municipality is currently busy with an audit of meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters.

Electricity 2014	Purchased during the year	Sold during the year	Unaccounted for
units (kWh)	130 373 620	(65 705 474)	64 668 146

Calculated as follows:	%	Distribution	Value
Bulk	98.40 %	64 668 146	40 412 664

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on the bulk meter, fault meters and illegal electricity connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meter and illegal connections is an ongoing process, with regular action being taken against defaulters.

Water Losses	Lost units	Cost per KL	Value
Unaccounted water losses	(871 633)	0.14	(120 245)

Water losses ocer due to inter alia. leakages, the tempering of meters, faulty meters and illegal water connections. The municipality is currentions. The municipality is currently busy with an audit of meters to find faulty meters and repair them. The treated water was only recorded from October 2013 hence the outcome as indicated above.

51. EVENTS AFTER THE REPORTING DATE

There were no adjusting events occurred after 30 June 2015

Non- Adjusting events 1

Notes to the Annual Financial Statements

	2015 R	2014 R

51. EVENTS AFTER THE REPORTING DATE (continued)

Municipality had the new administrator, Mr S. Gomomo appointed and was introduced by the provincial department of Co-operative Governance (EC CoGTA) in July 2015 to substitute the previous administrator, Ms P. Yako who had her contract expired mid July 2015.

The following were the new contingent liabilities:

-Makana //Unity League regarding a compliance order. The claim amount is R120 000. The claim was lodged on 07 July 2015. The opposition withdrawn.
-Agric EC// Makana. The compliance order claim was lodged on 05 August 2015 and the claim amount is R120 000. The matter opposed.
- Min of Police // Makana. The damages claim of R4 900 was lodged on 31 July 2015. The matter was defended.
- Bigen Africa // Makana. The claim of Law suit for drawing up business plan of R200 000 was lodged on 17 august 2015.

- Mr Notyawa // Makana. The matter is then reviewed and set aside. The claim amount is R120 000 and was lodged on 23 July 2015. The matter is opposed

There were no other non-adjusting events apart from the one mentioned above, in reaching such conclusion, the following were considered:

-That there were no new commitments requiring disclosure, borrowings or guarantees that the municipality has entered into or no change in conditions to ones entered in to before year end
- That no acquisitions or sale of major capital assets
-That there were no new agreements entered into to increase liabilities or planned to be entered into.
- That there were no assets have been appropriated or destroyed, for example, by fire or flood
- That there were no events that have occurred which are relevant to the measurement of estimates or provisions made in the financial statements. -
That there were no changes in accounting policies or are likely to change that will bring into question the appropriateness of accounting policies used in the financial statements.
- That there were no new events that have occurred that are relevant to the recoverability of previous impaired assets.
-That there were no events that have occurred that are relevant to the entity's ability to fulfill its program objectives.
-That there were no events that have occurred that may impact the presentation of any performance information in financial statements.

The Executive Mayor resigned from Council on the 27th August 2015 and the Speaker on the 28th but remains an ordinary council member and the MPAC chair also resigned as the the chairperson but also remained an ordinary council. Subsequently this led to Council reshuffle, of note is the new Executive Mayor, Speaker and Mayoral Committee were elected on the 28th of August 2015.

Makana Municipality
Appendix A

Schedule of external loans as at 30 June 2015

	Loan Number	Redeemable	Balance at 30 June 2014 Rand	Capitalisation during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2015 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock								
Structured loans								
Funding facility								
Development Bank of South Africa								
Product 61001005	103886/1	2031/06/30	26 088 266	5 556 072	1 630 517	30 013 821	-	-
Product 61006863	103886/2	2031/06/30	22 360 799	5 480 927	1 121 438	26 720 288	-	-
			48 449 065	**11 036 999**	**2 751 955**	**56 734 109**	**-**	**-**
Bonds								
Other loans								
Lease liability								
Konika Minolta	Various	Various	267 513	-	267 513	-	-	-
Panasonic	Various	Various	15 522	-	15 522	-	-	-
			283 035	**-**	**283 035**	**-**	**-**	**-**
Annuity loans								
Government loans								
Total external loans								
Development Bank of South Africa			48 449 065	11 036 999	2 751 955	56 734 109	-	-
Lease liability			283 035	-	283 035	-	-	-
			48 732 100	**11 036 999**	**3 034 990**	**56 734 109**	**-**	**-**

Makana Municipality
Makana Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	319 236 991	-	(35 304 340)	-	-	**(174 385 410)**	**109 547 241**	-	-	-	-	-	**-**	109 547 241
Buildings (Separate for AFS purposes)	361 128 790	80 717	(59 817 960)	-	-	**(213 334 200)**	**88 057 347**	(47 618 214)	-	33 727 138	(3 611 156)	-	**(17 502 232)**	70 555 115
	680 365 781	**80 717**	**(95 122 300)**	**-**	**-**	**(387 719 610)**	**197 604 588**	**(47 618 214)**	**-**	**33 727 138**	**(3 611 156)**	**-**	**(17 502 232)**	**180 102 356**
Infrastructure														
Roads, Pavements & Bridges	261 385 439	-	7 282 097	-	-	**-**	**268 667 536**	(47 309 071)	-	-	(10 998 429)	-	**(58 307 500)**	210 360 036
Sanitation	1 829 490	-	778 281	-	-	**-**	**2 607 771**	(304 949)	-	-	(77 268)	-	**(382 217)**	2 225 554
Water Supply and Reticulation	109 982 524	439 742	32 405 158	-	-	**-**	**142 827 424**	(19 256 294)	-	-	(4 716 324)	-	**(23 972 618)**	118 854 806
Sewerage and Reticulation	117 956 390	22 885	6 494 190	-	-	**-**	**124 473 465**	(18 131 823)	-	-	(4 345 694)	-	**(22 477 517)**	101 995 948
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	3 954 500	-	-	-	-	**-**	**3 954 500**	(993 656)	-	-	(248 414)	-	**(1 242 070)**	2 712 430
Electricity	156 737 191	-	184 385	-	-	**-**	**156 921 576**	(26 698 676)	-	-	(7 044 493)	-	**(33 743 169)**	123 178 407
	651 845 534	**462 627**	**47 144 111**	**-**	**-**	**-**	**699 452 272**	**(112 694 469)**	**-**	**-**	**(27 430 622)**	**-**	**(140 125 091)**	**559 327 181**
Community Assets														
Park and Recreational facilities	39 824 098	386 582	-	-	-	**385 963**	**40 596 643**	(5 605 729)	-	-	(1 410 752)	-	**(7 016 481)**	33 580 162
Cemeteries	9 697 189	-	-	-	-	**-**	**9 697 189**	(1 904 412)	-	-	(472 727)	-	**(2 377 139)**	7 320 050
	49 521 287	**386 582**	**-**	**-**	**-**	**385 963**	**50 293 832**	**(7 510 141)**	**-**	**-**	**(1 883 479)**	**-**	**(9 393 620)**	**40 900 212**

Makana Municipality
Makana Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Conservation area	20 468 850	3 161 400	-	-	-	**-**	**23 630 250**	-	-	-	-	-	**-**	23 630 250
historical and Memorial sites	5 300 799	-	-	-	-	**-**	**5 300 799**	-	-	-	-	-	**-**	5 300 799
	25 769 649	**3 161 400**	**-**	**-**	**-**	**-**	**28 931 049**	**-**	**-**	**-**	**-**	**-**	**-**	**28 931 049**
Specialised vehicles														
Emergency Vehicle	4 346 594	-	-	-	-	**-**	**4 346 594**	(1 231 696)	-	-	(252 051)	-	**(1 483 747)**	2 862 847
Specialised Vehicles	7 004 241	-	-	-	-	**-**	**7 004 241**	(842 540)	-	-	(373 560)	-	**(1 216 100)**	5 788 141
	11 350 835	**-**	**-**	**-**	**-**	**-**	**11 350 835**	**(2 074 236)**	**-**	**-**	**(625 611)**	**-**	**(2 699 847)**	**8 650 988**
Other assets														
General vehicles	19 042 812	248 060	-	-	-	**-**	**19 290 872**	(6 527 044)	-	-	(1 388 879)	-	**(7 915 923)**	11 374 949
Plant & equipment	6 206 902	72 728	-	-	-	**-**	**6 279 630**	(1 559 497)	-	-	(300 487)	-	**(1 859 984)**	4 419 646
Computer Equipment	3 587 960	67 145	-	-	-	**-**	**3 655 105**	(1 333 475)	-	-	(717 101)	-	**(2 050 576)**	1 604 529
Furniture & Fittings	3 547 608	-	-	-	-	**-**	**3 547 608**	(1 622 211)	-	-	(509 068)	-	**(2 131 279)**	1 416 329
Office Equipment	3 156 383	134 137	-	-	-	**-**	**3 290 520**	(2 648 985)	-	-	(107 825)	-	**(2 756 810)**	533 710
Emergency rescue equipment	209 685	-	-	-	-	**-**	**209 685**	(88 046)	-	-	(29 934)	-	**(117 980)**	91 705
	35 751 350	**522 070**	**-**	**-**	**-**	**-**	**36 273 420**	**(13 779 258)**	**-**	**-**	**(3 053 294)**	**-**	**(16 832 552)**	**19 440 868**

Makana Municipality
Makana Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	680 365 781	80 717	(95 122 300)	-	-	(387 719 610)	197 604 588	(47 618 214)	-	33 727 138	(3 611 156)	-	(17 502 232)	180 102 356
Infrastructure	651 845 534	462 627	47 144 111	-	-	-	699 452 272	(112 694 469)	-	-	(27 430 622)	-	(140 125 091)	559 327 181
Community Assets	49 521 287	386 582	-	-	-	385 963	50 293 832	(7 510 141)	-	-	(1 883 479)	-	(9 393 620)	40 900 212
Heritage assets	25 769 649	3 161 400	-	-	-	-	28 931 049	-	-	-	-	-	-	28 931 049
Specialised vehicles	11 350 835	-	-	-	-	-	11 350 835	(2 074 236)	-	-	(625 611)	-	(2 699 847)	8 650 988
Other assets	35 751 350	522 070	-	-	-	-	36 273 420	(13 779 258)	-	-	(3 053 294)	-	(16 832 552)	19 440 868
	1 454 604 436	4 613 396	(47 978 189)	-	-	(387 333 647)	1 023 905 996	(183 676 318)	-	33 727 138	(36 604 162)	-	(186 553 342)	837 352 654
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	506 827	631 054	-	-	-	-	1 137 881	(58 911)	-	-	(130 664)	-	(189 575)	948 306
	506 827	631 054	-	-	-	-	1 137 881	(58 911)	-	-	(130 664)	-	(189 575)	948 306
Investment properties														
Investment Property Building	19 083 031	-	-	-	5 245 000	(4 567 540)	19 760 491	(1 578 201)	-	-	1 578 201	-	-	19 760 491
Land	209 377 320	-	-	-	-	(27 836 380)	181 540 940	-	-	-	-	-	-	181 540 940
	228 460 351	-	-	-	5 245 000	(32 403 920)	201 301 431	(1 578 201)	-	-	1 578 201	-	-	201 301 431
Total														
Land and buildings	680 365 781	80 717	(95 122 300)	-	-	(387 719 610)	197 604 588	(47 618 214)	-	33 727 138	(3 611 156)	-	(17 502 232)	180 102 356
Infrastructure	651 845 534	462 627	47 144 111	-	-	-	699 452 272	(112 694 469)	-	-	(27 430 622)	-	(140 125 091)	559 327 181
Community Assets	49 521 287	386 582	-	-	-	385 963	50 293 832	(7 510 141)	-	-	(1 883 479)	-	(9 393 620)	40 900 212
Heritage assets	25 769 649	3 161 400	-	-	-	-	28 931 049	-	-	-	-	-	-	28 931 049
Specialised vehicles	11 350 835	-	-	-	-	-	11 350 835	(2 074 236)	-	-	(625 611)	-	(2 699 847)	8 650 988
Other assets	35 751 350	522 070	-	-	-	-	36 273 420	(13 779 258)	-	-	(3 053 294)	-	(16 832 552)	19 440 868
Intangible assets	506 827	631 054	-	-	-	-	1 137 881	(58 911)	-	-	(130 664)	-	(189 575)	948 306
Investment properties	228 460 351	-	-	-	5 245 000	(32 403 920)	201 301 431	(1 578 201)	-	-	1 578 201	-	-	201 301 431
	1 683 571 614	5 244 450	(47 978 189)	-	5 245 000	(419 737 567)	1 226 345 308	(185 313 430)	-	33 727 138	(35 156 625)	-	(186 742 917)	1 039 602 391

Makana Municipality
Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	1 226 674	(3)	(10 885)	-	-	**-**	**1 215 786**	(303 324)	(10 885)	-	(25 000)	-	**(339 209)**	876 577
Finance & Admin/Finance	941 944 553	602 787	-	(127 526 220)	-	**(382 474 610)**	**432 546 510**	(52 789 450)	(41 998)	-	31 694 183	-	**(21 137 265)**	411 409 245
Planning and Development/Economic Development/Plan	701 084	-	(13 568)	-	-	**-**	**687 516**	(195 407)	(13 568)	-	(130 664)	-	**(339 639)**	347 877
Health/Clinics	1 083 927	-	(1 351)	-	-	**-**	**1 082 576**	(287 995)	(1 351)	-	-	-	**(289 346)**	793 230
Comm. & Social/Libraries and archives	10 750 182	631 054	385 963	-	-	**-**	**11 767 199**	(2 361 079)	(11 286)	-	(1 883 479)	-	**(4 255 844)**	7 511 355
Housing	59 196	-	(97)	-	-	**-**	**59 099**	(34 259)	(97)	-	-	-	**(34 356)**	24 743
Public Safety/Police	8 413 598	-	(32 913)	-	-	**-**	**8 380 685**	(2 522 810)	(32 913)	-	(600 611)	-	**(3 156 334)**	5 224 351
Sport and Recreation	44 045 653	3 547 982	(17 723)	-	-	**-**	**47 575 912**	(7 534 728)	(17 723)	-	(11 075 697)	-	**(18 628 148)**	28 947 764
Environmental Protection/Pollution Control	75 765	-	(5 109)	-	-	**-**	**70 656**	(31 801)	(5 109)	-	-	-	**(36 910)**	33 746
Waste Water Management/Sewerage	128 595 205	462 627	32 405 158	-	-	**-**	**161 462 990**	(20 463 712)	35 123	-	(4 716 324)	-	**(25 144 913)**	136 318 077
Road Transport/Roads	269 645 526	1	8 060 378	-	-	**-**	**277 705 905**	(49 819 916)	(19 299)	-	(4 594 108)	-	**(54 433 323)**	223 272 582
Water/Water Distribution	112 781 440	-	6 494 190	-	-	**-**	**119 280 195**	(19 895 522)	41 286	-	(3 053 294)	-	**(22 907 530)**	96 372 665
Electricity /Electricity Distribution	160 294 311	-	184 385	-	-	**-**	**160 478 696**	(28 079 772)	23 236	-	(7 044 493)	-	**(35 101 029)**	125 377 667
Other/Air Transport	3 954 500	-	(499)	-	-	**-**	**3 954 001**	(993 656)	(499)	-	-	-	**(994 155)**	2 959 846
	1 683 571 614	**5 244 448**	**47 447 929**	**(127 526 220)**	**-**	**(382 474 610)**	**1 226 267 726**	**(185 313 431)**	**(55 083)**	**-**	**(1 429 487)**	**-**	**(186 798 001)**	**1 039 469 725**
Total														
Municipality	1 683 571 614	5 244 448	47 447 929	(127 526 220)	-	**(382 474 610)**	**1 226 267 726**	(185 313 431)	(55 083)	-	(1 429 487)	-	**(186 798 001)**	1 039 469 725
	1 683 571 614	**5 244 448**	**47 447 929**	**(127 526 220)**	**-**	**(382 474 610)**	**1 226 267 726**	**(185 313 431)**	**(55 083)**	**-**	**(1 429 487)**	**-**	**(186 798 001)**	**1 039 469 725**

Makana Municipality
Appendix D

Segmental Statement of Financial Performance for the year ended

Prior Year Actual Income Rand	Prior Year Actual Expenditure Rand	Prior Year Surplus /(Deficit) Rand		Current Year Actual Income Rand	Current Year Actual Expenditure Rand	Current Year Surplus /(Deficit) Rand
			Municipality			
78 963 350	82 006 579	(3 043 229)	Executive & Council/Mayor and Council	89 749 340	94 081 961	(4 332 621)
4 693 945	34 833 585	(30 139 640)	Finance & Admin/Finance	10 760 842	31 707 176	(20 946 334)
2 455 367	9 682 332	(7 226 965)	Planning and Development/Economic Development/Plan	641 175	7 425 372	(6 784 197)
1 793 482	2 248 633	(455 151)	Health/Clinics	1 740 163	2 415 837	(675 674)
2 682 147	9 599 734	(6 917 587)	Comm. & Social/Libraries and archives	4 509 485	10 152 116	(5 642 631)
-	44 549	(44 549)	Housing	-	48 370	(48 370)
711 252	15 770 215	(15 058 963)	Public Safety/Police	203 602	16 649 798	(16 446 196)
3 784 357	8 698 039	(4 913 682)	Sport and Recreation	30 735	8 890 937	(8 860 202)
1 021 538	4 442 307	(3 420 769)	Environmental Protection/Pollution Control	401 835	2 956 573	(2 554 738)
53 749 489	34 071 735	19 677 754	Waste Water Management/Sewerage	52 684 310	35 120 055	17 564 255
9 619 974	12 430 096	(2 810 122)	Road Transport/Roads	3 171 705	12 819 732	(9 648 027)
72 354 147	44 417 381	27 936 766	Water/Water Distribution	76 715 385	54 536 837	22 178 548
100 107 967	79 955 688	20 152 279	Electricity /Electricity Distribution	118 744 485	106 891 174	11 853 311
3 172	251 669	(248 497)	Other/Air Transport	-	250 422	(250 422)
331 940 187	**338 452 542**	**(6 512 355)**		**359 353 062**	**383 946 360**	**(24 593 298)**
			Municipal Owned Entities			
			Other charges			
331 940 187	338 452 542	(6 512 355)	Municipality	359 353 062	383 946 360	(24 593 298)
331 940 187	**338 452 542**	**(6 512 355)**	**Total**	**359 353 062**	**383 946 360**	**(24 593 298)**

Makana Municipality
Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2014 Act. Bal. Rand	Current year 2014 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	199 402 150	225 367 348	(25 965 198)	(11.5)	
Rental of facilities and equipment	1 023 409	1 123 390	(99 981)	(8.9)	
Interest received (trading)	12 494 247	9 600 000	2 894 247	30.1	
Agency services	850 378	1 344 774	(494 396)	(36.8)	
Licences and permits	2 344 416	2 430 478	(86 062)	(3.5)	
Other income - (rollup)	1 353 966	2 558 683	(1 204 717)	(47.1)	
	217 468 566	242 424 673	(24 956 107)	(10.3)	
Expenses					
Personnel	(131 454 856)	(136 837 038)	5 382 182	(3.9)	
Manufacturing - Employee costs	3 062 684	-	3 062 684	-	
Remuneration of councillors	(9 458 268)	(9 310 068)	(148 200)	1.6	
Administration	(5 845)	-	(5 845)	-	
Depreciation	(33 443 447)	(5 242 145)	(28 201 302)	538.0	
Impairments	(155 476)	(16 255 107)	16 099 631	(99.0)	
Finance costs	(21 536 082)	-	(21 536 082)	-	
Repairs and maintenance - General	(10 136 457)	(22 189 142)	12 052 685	(54.3)	
Bulk purchases	(82 036 759)	(79 623 734)	(2 413 025)	3.0	
Contracted Services	(4 490 553)	(3 754 360)	(736 193)	19.6	
Transfers and Subsidies	(30 544 615)	(40 938 302)	10 393 687	(25.4)	
General Expenses	(60 072 244)	(47 702 979)	(12 369 265)	25.9	
	(380 271 918)	(361 852 875)	(18 419 043)	5.1	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	32 062	-	32 062	-	
Fair value adjustments	-	-	-	-	
	32 062	-	32 062	-	
Net surplus/ (deficit) for the year	(162 771 290)	(119 428 202)	(43 343 088)	36.3	

Makana Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun		Yes/ No	
Municipal Infrastructure Grant	National Treasury	-	90 000	-	-	88 448	-	79 400	77 989	06 255	76 202	-	-	-	-	-		Yes	
Finance Management Grant	National Treasury	-	00 000	-	-	-	-	38 881	56 862	61 959	04 808	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Municipal Systems Improvement Grant	National Treasury	-	34 000	-	-	-	-	-	34 466	-	-	-	-	-	-	-			
Expanded Public Works Programme	National Treasury	-	03 000	02 000	02 000	-	-	42 418	86 667	98 262	03 448	-	-	-	-	-		Yes	
Regional Bulk Infrastructure Grant	National Treasury	-	-	-	-	99 084	-	-	-	-	-	-	-	-	-	-		Yes	
		-	27 000	02 000	02 000	87 532	-	60 699	55 984	66 476	84 458	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Makana Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2015

	2015/2014														2014/2013
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	**95 935 952**	**95 091 649**	**191 027 601**	**-**		**191 027 601**	**65 546 270**		**(125 481 331)**	**34 %**	**68 %**				**61 608 385**
Executive and council	5 669 485	4 869 210	10 538 695	-		10 538 695	4 379 739		(6 158 956)	42 %	77 %				5 394 415
Budget and treasury office	86 579 359	86 625 303	173 204 662	-		173 204 662	52 570 481		(120 634 181)	30 %	61 %				55 666 351
Corporate services	3 687 108	3 597 136	7 284 244	-		7 284 244	8 596 050		1 311 806	118 %	233 %				547 619
Community and public safety	**6 642 887**	**5 599 740**	**12 242 627**	**-**		**12 242 627**	**3 712 290**		**(8 530 337)**	**30 %**	**56 %**				**9 234 076**
Community and social services	4 187 427	2 975 913	7 163 340	-		7 163 340	615 123		(6 548 217)	9 %	15 %				3 573 252
Sport and recreation	10 500	**17 453**	27 953	-		27 953	454 211		426 258	1 625 %	4 326 %				120 996
Public safety	1 104 205	1 190 188	2 294 393	-		2 294 393	849 474		(1 444 919)	37 %	77 %				3 308 392
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				914 592
Health	1 340 755	1 416 186	2 756 941	-		2 756 941	1 793 482		(963 459)	65 %	134 %				1 316 844
Economic and environmental services	**9 334 278**	**(822 841)**	**8 511 437**	**-**		**8 511 437**	**4 492 511**		**(4 018 926)**	**53 %**	**48 %**				**14 060 241**
Planning and development	5 728 970	(5 338 970)	390 000	-		390 000	366 575		(23 425)	94 %	6 %				1 578 273
Road transport	3 585 308	3 795 009	7 380 317	-		7 380 317	4 104 398		(3 275 919)	56 %	114 %				11 460 430
Environmental protection	20 000	721 120	741 120	-		741 120	21 538		(719 582)	3 %	108 %				1 021 538
Trading services	**277 445 458**	**24 205 237**	**301 650 695**	**-**		**301 650 695**	**246 580 498**		**(55 070 197)**	**82 %**	**89 %**				**250 339 488**
Electricity	131 223 458	(3 122 346)	128 101 112	-		128 101 112	117 379 200		(10 721 912)	92 %	89 %				108 731 588
Water	83 502 873	23 292 287	106 795 160	-		106 795 160	81 909 927		(24 885 233)	77 %	98 %				74 961 902
Waste water management	37 380 630	3 738 063	41 118 693	-		41 118 693	21 854 538		(19 264 155)	53 %	58 %				46 240 390
Waste management	25 338 497	297 233	25 635 730	-		25 635 730	25 436 833		(198 897)	99 %	100 %				20 405 608
Other	**10 000**	**15 000**	**25 000**	**-**		**25 000**	**-**		**(25 000)**	**- %**	**- %**				**-**
Other	10 000	15 000	25 000	-		25 000	-		(25 000)	- %	- %				22 093 030
Total Revenue - Standard	**389 368 575**	**124 088 785**	**513 457 360**	**-**		**513 457 360**	**320 331 569**		**(193 125 791)**	**62 %**	**82 %**				**357 335 220**

Makana Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2015

	2015/2014												2014/2013		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	**97 174 135**	**49 529 123**	**146 703 258**	**-**	**-**	**146 703 258**	**105 120 601**	**-**	**(41 582 657)**	**72 %**	**108 %**	**-**	**-**	**-**	**140 722 604**
Executive and council	25 721 884	21 886 873	47 608 757	-	-	47 608 757	32 724 247	-	(14 884 510)	69 %	127 %	-	-	-	30 837 477
Budget and treasury office	32 008 464	(8 232 688)	23 775 776	-	-	23 775 776	37 002 871	-	13 227 095	156 %	116 %	-	-	-	22 788 671
Corporate services	39 443 787	35 874 938	75 318 725	-	-	75 318 725	35 393 483	-	(39 925 242)	47 %	90 %	-	-	-	87 096 456
Community and public safety	**34 271 786**	**36 985 017**	**71 256 803**	**-**	**-**	**71 256 803**	**40 487 427**	**-**	**(30 769 376)**	**57 %**	**118 %**	**-**	**-**	**-**	**33 800 948**
Community and social services	14 677 951	9 248 879	23 926 830	-	-	23 926 830	8 214 078	-	(15 712 752)	34 %	56 %	-	-	-	9 960 272
Sport and recreation	2 300 380	9 194 203	11 494 583	-	-	11 494 583	13 841 251	-	2 346 668	120 %	602 %	-	-	-	2 284 410
Public safety	15 094 398	16 065 512	31 159 910	-	-	31 159 910	16 185 390	-	(14 974 520)	52 %	107 %	-	-	-	19 493 462
Housing	48 304	51 009	99 313	-	-	99 313	51 213	-	(48 100)	52 %	106 %	-	-	-	44 549
Health	2 150 753	2 425 414	4 576 167	-	-	4 576 167	2 195 495	-	(2 380 672)	48 %	102 %	-	-	-	2 018 255
Economic and environmental services	**32 966 096**	**26 158 554**	**59 124 650**	**-**	**-**	**59 124 650**	**26 310 507**	**-**	**(32 814 143)**	**45 %**	**80 %**	**-**	**-**	**-**	**24 602 736**
Planning and development	18 205 940	11 351 152	29 557 092	-	-	29 557 092	9 705 290	-	(19 851 802)	33 %	53 %	-	-	-	11 525 953
Road transport	10 632 510	10 307 607	20 940 117	-	-	20 940 117	13 553 205	-	(7 386 912)	65 %	127 %	-	-	-	10 883 973
Environmental protection	4 127 646	4 499 795	8 627 441	-	-	8 627 441	3 052 012	-	(5 575 429)	35 %	74 %	-	-	-	2 192 810
Trading services	**179 984 122**	**61 850 665**	**241 834 787**	**-**	**-**	**241 834 787**	**179 764 579**	**-**	**(62 070 208)**	**74 %**	**100 %**	**-**	**-**	**-**	**145 558 874**
Electricity	96 236 100	(23 481 201)	72 754 899	-	-	72 754 899	88 227 243	-	15 472 344	121 %	92 %	-	-	-	65 936 628
Water	44 564 506	55 919 384	100 483 890	-	-	100 483 890	53 232 720	-	(47 251 170)	53 %	119 %	-	-	-	54 049 970
Waste water management	21 794 685	30 462 382	52 257 067	-	-	52 257 067	19 536 465	-	(32 720 602)	37 %	90 %	-	-	-	20 679 811
Waste management	17 388 831	(1 049 900)	16 338 931	-	-	16 338 931	18 768 151	-	2 429 220	115 %	108 %	-	-	-	4 892 465
Other	**247 580**	**244 936**	**492 516**	**-**	**-**	**492 516**	**250 422**	**-**	**(242 094)**	**51 %**	**101 %**	**-**	**-**	**-**	**-**
Other	247 580	244 936	492 516	-	-	492 516	250 422	-	(242 094)	51 %	101 %	-	-	-	3 416 081
Total Expenditure - Standard	**344 643 719**	**174 768 295**	**519 412 014**	**-**	**-**	**519 412 014**	**351 933 536**	**-**	**(167 478 478)**	**68 %**	**102 %**	**-**	**-**	**-**	**348 101 243**
Surplus/(Deficit) for the year	**44 724 856**	**(50 679 510)**	**(5 954 654)**	**-**		**(5 954 654)**	**(31 601 967)**		**(25 647 313)**	**531 %**	**(71)%**				**9 233 977**

Makana Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2015

	2015/2014											2014/2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Technical & Infrastructure	40 363 792	-	40 363 792	-		40 363 792	34 227 368		(6 136 424)	85 %	85 %				-
Corporate Services	6 125 340	-	6 125 340	-		6 125 340	3 964 675		(2 160 665)	65 %	65 %				-
Financial Services	86 579 365	-	86 579 365	-		86 579 365	61 260 644		(25 318 721)	71 %	71 %				-
Community & Social Services	35 517 582	-	35 517 582	-		35 517 582	28 694 629		(6 822 953)	81 %	81 %				-
Executive Mayor	3 602 010	-	3 602 010	-		3 602 010	2 426 788		(1 175 222)	67 %	67 %				-
Municipal Manager	2 452 806	-	2 452 806	-		2 452 806	1 904 495		(548 311)	78 %	78 %				-
Electricity	131 223 460	-	131 223 460	-		131 223 460	102 943 043		(28 280 417)	78 %	78 %				-
Water	83 502 870	-	83 502 870	-		83 502 870	84 909 927		1 407 057	102 %	102 %				-
Dog tax	1 350	-	1 350	-		1 350	-		(1 350)	- %	- %				-
Total Revenue by Vote	**389 368 575**	**-**	**389 368 575**	**-**		**389 368 575**	**320 331 569**		**(69 037 006)**	**82 %**	**82 %**				**-**
Expenditure by Vote to be appropriated															
Technical & Infrastructure	52 226 715	-	52 226 715	-	-	52 226 715	45 889 751	-	(6 336 964)	88 %	88 %	-	-	-	-
Corporate Services	22 525 083	-	22 525 083	-	-	22 525 083	28 670 848	-	6 145 765	127 %	127 %	-	-	-	-
Financial Services	32 008 465	-	32 008 465	-	-	32 008 465	42 002 850	-	9 994 385	131 %	131 %	-	-	-	-
Community & Social Services	59 503 840	-	59 503 840	-	-	59 503 840	63 049 337	-	3 545 497	106 %	106 %	-	-	-	-
Executive Mayor	13 127 751	-	13 127 751	-	-	13 127 751	14 295 088	-	1 167 337	109 %	109 %	-	-	-	-
Municipal Manager	13 716 700	-	13 716 700	-	-	13 716 700	9 750 834	-	(3 965 866)	71 %	71 %	-	-	-	-
Local Economic Development	10 684 901	-	10 684 901	-	-	10 684 901	6 513 230	-	(4 171 671)	61 %	61 %	-	-	-	-
Housing	48 304	-	48 304	-	-	48 304	51 213	-	2 909	106 %	106 %	-	-	-	-
Electricity	96 236 100	-	96 236 100	-	-	96 236 100	88 227 243	-	(8 008 857)	92 %	92 %	-	-	-	-
Water	44 564 504	-	44 564 504	-	-	44 564 504	53 232 720	-	8 668 216	119 %	119 %	-	-	-	-
Dog Tax	1 329	-	1 329	-	-	1 329	-	-	(1 329)	- %	- %	-	-	-	-
Total Expenditure by Vote	**344 643 692**	**-**	**344 643 692**	**-**	**-**	**344 643 692**	**351 683 114**	**-**	**7 039 422**	**102 %**	**102 %**	**-**	**-**	**-**	**-**
Surplus/(Deficit) for the year	**44 724 883**	**-**	**44 724 883**	**-**		**44 724 883**	**(31 351 545)**		**(76 076 428)**	**(70)%**	**(70)%**				**-**

Makana Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2015

	2015/2014														2014/2013
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	56 970 285	(13 381 683)	43 588 602	-		43 588 602	46 135 174		2 546 572	106 %	81 %				38 084 464
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	126 955 458	(13 122 458)	113 833 000	-		113 833 000	114 618 681		785 681	101 %	90 %				95 765 691
Service charges - water revenue	47 576 122	(8 350 122)	39 226 000	-		39 226 000	45 089 170		5 863 170	115 %	95 %				39 593 551
Service charges - sanitation revenue	19 653 600	(3 737 600)	15 916 000	-		15 916 000	14 256 545		(1 659 455)	90 %	73 %				19 752 158
Service charges - refuse revenue	8 884 123	(297 123)	8 587 000	-		8 587 000	9 812 597		1 225 597	114 %	110 %				6 362 861
Service charges - other	283 847	-	283 847	-		283 847	101 716		(182 131)	36 %	36 %				89 857
Rental of facilities and equipment	1 436 569	-	1 436 569	-		1 436 569	1 023 409		(413 160)	71 %	71 %				800 907
Interest earned - external investments	5 000 000	-	5 000 000	-		5 000 000	385 120		(4 614 880)	8 %	8 %				11 207 128
Interest earned - outstanding debtors	9 000 000	-	9 000 000	-		9 000 000	10 835 646		1 835 646	120 %	120 %				-
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	942 309	-	942 309	-		942 309	55 402		(886 907)	6 %	6 %				655 711
Licences and permits	1 279 971	-	1 279 971	-		1 279 971	2 344 416		1 064 445	183 %	183 %				2 596 574
Agency services	1 344 774	1 344 774	2 689 548	-		2 689 548	850 378		(1 839 170)	32 %	63 %				877 055
Transfers recognised - operational	85 124 185	79 359 815	164 484 000	-		164 484 000	94 429 938		(70 054 062)	57 %	111 %				73 127 455
Other revenue	26 546 620	(3 999 938)	22 546 682	-		22 546 682	1 353 966		(21 192 716)	6 %	5 %				7 289 648
Gains on disposal of PPE	-	-	-	-		-	32 062		32 062	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	**390 997 863**	**37 815 665**	**428 813 528**	**-**		**428 813 528**	**341 324 220**		**(87 489 308)**	**80 %**	**87 %**				**296 203 060**

Makana Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2015

	2015/2014											2014/2013			
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Expenditure By Type															
Employee related costs	115 772 000	-	115 772 000	-	-	115 772 000	127 345 059	-	11 573 059	110 %	110 %	-	-	-	123 434 997
Remuneration of councillors	8 371 000	-	8 371 000	-	-	8 371 000	9 458 268	-	1 087 268	113 %	113 %	-	-	-	8 336 734
Debt impairment	8 499 000	-	8 499 000		-	8 499 000	-	-	(8 499 000)	- %	- %	-	-	-	-
Depreciation & asset impairment	8 969 364	-	8 969 364		-	8 969 364	33 598 923	-	24 629 559	375 %	375 %	-	-	-	36 729 303
Finance charges	427 040	-	427 040	-	-	427 040	21 536 082	-	21 109 042	5 043 %	5 043 %	-	-	-	6 337 044
Bulk purchases	79 745 078	-	79 745 078	-	-	79 745 078	82 036 759	-	2 291 681	103 %	103 %	-	-	-	67 096 415
Other materials	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contracted services	2 161 200	-	2 161 200	-	-	2 161 200	4 490 553	-	2 329 353	208 %	208 %	-	-	-	6 917 134
Transfers and grants	1 184 000	-	1 184 000	-	-	1 184 000	30 544 615	-	29 360 615	2 580 %	2 580 %	-	-	-	22 098 591
Other expenditure	119 515 000	-	119 515 000	-	-	119 515 000	70 214 546	-	(49 300 454)	59 %	59 %	-	-	-	60 281 325
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	**344 643 682**	**-**	**344 643 682**	**-**	**-**	**344 643 682**	**379 224 805**	**-**	**34 581 123**	**110 %**	**110 %**	**-**	**-**	**-**	**331 231 543**
Surplus/(Deficit)	**46 354 181**	**37 815 665**	**84 169 846**	**-**		**84 169 846**	**(37 900 585)**		**(122 070 431)**	**(45)%**	**(82)%**				**(35 028 483)**
Transfers recognised - capital	51 494 000	1 767 506	53 261 506	-		53 261 506	9 836 800		(43 424 706)	18 %	19 %				21 302 482
Contributions recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Contributed assets	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	**97 848 181**	**39 583 171**	**137 431 352**	**-**		**137 431 352**	**(28 063 785)**		**(165 495 137)**	**(20)%**	**(29)%**				**(13 726 001)**
Taxation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	**97 848 181**	**39 583 171**	**137 431 352**	**-**		**137 431 352**	**(28 063 785)**		**(165 495 137)**	**(20)%**	**(29)%**				**(13 726 001)**
Attributable to minorities	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	**97 848 181**	**39 583 171**	**137 431 352**	**-**		**137 431 352**	**(28 063 785)**		**(165 495 137)**	**(20)%**	**(29)%**				**(13 726 001)**
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	**97 848 181**	**39 583 171**	**137 431 352**	**-**		**137 431 352**	**(28 063 785)**		**(165 495 137)**	**(20)%**	**(29)%**				**(13 726 001)**

Makana Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2015

	2015/2014											2014/2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Vote 1-Technical & Infrastructure	61 810 427	53 387 735	115 198 162	-	-	115 198 162	24 146 275	-	(91 051 887)	21 %	39 %	-	-	-	-
Vote 2- Corporate services	885 000	2 050 000	2 935 000	-	-	2 935 000	709 493	-	(2 225 507)	24 %	80 %	-	-	-	-
Vote3- Financial services	400 000	-	400 000	-	-	400 000	568 001	-	168 001	142 %	142 %	-	-	-	-
Vote4- Community & Social Services	8 568 000	9 800 000	18 368 000	-	-	18 368 000	3 696 903	-	(14 671 097)	20 %	43 %	-	-	-	-
Vote5- Excutive Mayor	1 050 000	-	1 050 000	-	-	1 050 000	327 318	-	(722 682)	31 %	31 %	-	-	-	-
Vote7- Local Economic Development	22 441 000	-	22 441 000	-	-	22 441 000	3 720 499	-	(18 720 501)	17 %	17 %	-	-	-	-
Vote9- Electricity	8 075 000	11 625 000	19 700 000	-	-	19 700 000	2 952 511	-	(16 747 489)	15 %	37 %	-	-	-	-
Vote10- Water	40 805 000	97 324 138	138 129 138	-	-	138 129 138	30 899 011	-	(107 230 127)	22 %	76 %	-	-	-	-
Capital multi-year expenditure sub-total	**144 034 427**	**174 186 873**	**318 221 300**	**-**	**-**	**318 221 300**	**67 020 011**	**-**	**(251 201 289)**	**21 %**	**47 %**	**-**	**-**	**-**	**-**
Single-year expenditure															
Total Capital Expenditure - Vote	**144 034 427**	**174 186 873**	**318 221 300**	**-**	**-**	**318 221 300**	**67 020 011**	**-**	**(251 201 289)**	**21 %**	**47 %**	**-**	**-**	**-**	**-**

Makana Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2015

	2015/2014														2014/2013
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	**1 285 000**	**2 050 000**	**3 335 000**	**-**	**-**	**3 335 000**	**3 291 401**	**-**	**(43 599)**	**99 %**	**256 %**	**-**	**-**	**-**	**(3 177)**
Executive and council	-	-	-	-	-	-	327 318	-	327 318	DIV/0 %	DIV/0 %	-	-	-	-
Budget and treasury office	400 000	-	400 000	-	-	400 000	568 001	-	168 001	142 %	142 %	-	-	-	(2 997)
Corporate services	885 000	2 050 000	2 935 000	-	-	2 935 000	2 396 082	-	(538 918)	82 %	271 %	-	-	-	(180)
Community and public safety	**15 868 000**	**-**	**15 868 000**	**-**	**-**	**15 868 000**	**3 672 604**	**-**	**(12 195 396)**	**23 %**	**23 %**	**-**	**-**	**-**	**-**
Community and social services	3 718 000	-	3 718 000	-	-	3 718 000	67 145	-	(3 650 855)	2 %	2 %	-	-	-	-
Sport and recreation	850 000	-	850 000	-	-	850 000	3 392 686	-	2 542 686	399 %	399 %	-	-	-	-
Public safety	1 300 000	-	1 300 000	-	-	1 300 000	212 773	-	(1 087 227)	16 %	16 %	-	-	-	-
Housing	10 000 000	-	10 000 000	-	-	10 000 000	-	-	(10 000 000)	- %	- %	-	-	-	-
Economic and environmental services	**38 923 557**	**(1 359 539)**	**37 564 018**	**-**	**-**	**37 564 018**	**11 944 517**	**-**	**(25 619 501)**	**32 %**	**31 %**	**-**	**-**	**-**	**1 000**
Planning and development	22 556 000	2 367 424	24 923 424	-	-	24 923 424	3 720 499	-	(21 202 925)	15 %	16 %	-	-	-	-
Road transport	13 867 557	(3 726 963)	10 140 594	-	-	10 140 594	8 224 018	-	(1 916 576)	81 %	59 %	-	-	-	1 000
Environmental protection	2 500 000	-	2 500 000	-	-	2 500 000	-	-	(2 500 000)	- %	- %	-	-	-	-
Trading services	**83 866 840**	**172 446 412**	**256 313 252**	**-**	**-**	**256 313 252**	**48 111 489**	**-**	**(208 201 763)**	**19 %**	**57 %**	**-**	**-**	**-**	**-**
Electricity	8 075 000	11 625 000	19 700 000	-	-	19 700 000	2 952 511	-	(16 747 489)	15 %	37 %	-	-	-	-
Water	40 805 138	97 324 000	138 129 138	-	-	138 129 138	30 899 011	-	(107 230 127)	22 %	76 %	-	-	-	-
Waste water management	34 986 702	63 497 412	98 484 114	-	-	98 484 114	14 235 668	-	(84 248 446)	14 %	41 %	-	-	-	-
Waste management	-	-	-	-	-	-	24 299	-	24 299	DIV/0 %	DIV/0 %	-	-	-	-
Other	**4 091 030**	**-**	**4 091 030**	**-**	**-**	**4 091 030**	**-**	**-**	**(4 091 030)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Aerodrome	4 091 030	-	4 091 030	-	-	4 091 030	-	-	(4 091 030)	- %	- %	-	-	-	56 428 881
Total Capital Expenditure - Standard	**144 034 427**	**173 136 873**	**317 171 300**	**-**	**-**	**317 171 300**	**67 020 011**	**-**	**(250 151 289)**	**21 %**	**47 %**	**-**	**-**	**-**	**56 426 704**
Funded by:															
National Government	48 814 099	(20 783 599)	28 030 500	-		28 030 500	36 553 348		8 522 848	130 %	75 %				-
Provincial Government	1 679 500	-	1 679 500	-		1 679 500	-		(1 679 500)	- %	- %				-
District Municipality	10 167 557	19 704 353	29 871 910	-		29 871 910	67 145		(29 804 765)	- %	1 %				-
Transfers recognised - capital	**60 661 156**	**(1 079 246)**	**59 581 910**	**-**		**59 581 910**	**36 620 493**		**(22 961 417)**	**61 %**	**60 %**				**-**
Borrowing	38 648 625	4 351 375	43 000 000	-		43 000 000	14 352 885		(28 647 115)	33 %	37 %				-
Internally generated funds	44 724 646	(20 801 146)	23 923 500	-		23 923 500	16 046 633		(7 876 867)	67 %	36 %				-
Total Capital Funding	**144 034 427**	**(17 529 017)**	**126 505 410**	**-**		**126 505 410**	**67 020 011**		**(59 485 399)**	**53 %**	**47 %**				**-**

Makana Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2015

	2015/2014								2014
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Ratepayers and other	290 245 116	(38 909 636)	251 335 480	251 335 480	204 337 421	(46 998 059)	81 %	70 %	157 178 979
Government - operating	82 124 184	79 359 815	161 483 999	161 483 999	133 752 144	(27 731 855)	83 %	163 %	128 119 264
Government - capital	51 493 596	1 767 506	53 261 102	53 261 102	9 836 800	(43 424 302)	18 %	19 %	21 302 482
Interest	14 000 004	-	14 000 004	14 000 004	385 120	(13 614 884)	3 %	3 %	1 325 220
Other receipts	-	-	-	-	17 838 897	17 838 897	DIV/0 %	DIV/0 %	13 979 937
Suppliers and employees	343 032 732	(16 284 852)	326 747 880	326 747 880	(349 929 820)	(676 677 700)	(107)%	(102)%	(272 557 388)
Finance charges	427 044	-	427 044	427 044	(6 337 044)	(6 764 088)	(1 484)%	(1 484)%	(214 867)
Transfers and Grants	1 184 146	40 938 302	42 122 448	42 122 448	-	(42 122 448)	- %	- %	-
Net cash flow from/used operating activities	**782 506 822**	**66 871 135**	**849 377 957**	**849 377 957**	**9 883 518**	**(839 494 439)**	**1 %**	**1 %**	**49 133 627**
Cash flow from investing activities									
Proceeds on disposal of PPE	144 034 428	126 540 804	270 575 232	270 575 232	465 000	(270 110 232)	- %	- %	130 850
Proeeds from sale of financial assets	-	-	-	-	(115 949)	(115 949)	DIV/0 %	DIV/0 %	554 372
Capital assets	-	-	-	-	(54 465 524)	(54 465 524)	DIV/0 %	DIV/0 %	(94 186 425)
Net cash flow from/used investing activities	**144 034 428**	**126 540 804**	**270 575 232**	**270 575 232**	**(54 116 473)**	**(324 691 705)**	**(20)%**	**(38)%**	**(93 501 203)**
Cash flow from financing activities									
Borrowing long term/refinancing	37 648 625	-	37 648 625	37 648 625	30 769 995	(6 878 630)	82 %	82 %	23 407 122
Repayment of borrowing	3 165 000	-	3 165 000	3 165 000	-	(3 165 000)	- %	- %	(901 659)
Net cash flow from/used financing activities	**40 813 625**	**-**	**40 813 625**	**40 813 625**	**30 769 995**	**(10 043 630)**	**75 %**	**75 %**	**22 505 463**
Net increase/(decrease) in cash held	**967 354 875**	**193 411 939**	**1 160 766 814**	**1 160 766 814**	**(13 462 960)**	**1 174 229 774)**	**(1)%**	**(1)%**	**(21 862 113)**
Cash/cash equivalents at the year begin:					17 496 528				52 997 288
Cash/cash equivalents at the year end:	**967 354 875**	**193 411 939**	**1 160 766 814**	**1 160 766 814**	**4 033 568**	**1 174 229 774)**	**- %**	**- %**	